

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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United Nations: How
Moscow came in
from the cold, Page 19

Austria	Sch22	Indonesia	Rm3100	Portugal	Esc100
Bahrain	Dhs0.655	Ireland	NIS1.50	S. Africa	Rsd100
Belgium	BFt46	Italy	L1400	Singapore	S\$4.10
Cambodia	CS1.75	Japan	Yen100	Spain	Pta125
Cyprus	CS1.75	Jordan	Fls.500	Sri Lanka	Rs1.00
Denmark	DK1.00	Korea	Fls.500	Sweden	Sk1.00
Egypt	EGP1.25	Lebanon	SL125.00	Switzerland	FrF1.20
Finland	Fmk1.00	Luxembourg	LF1.00	Taiwan	NT585
France	Fr1.50	Morocco	Dhs1.00	Thailand	Bt1.00
Germany	DM2.20	Mexico	Pes300	Tunisia	Dir1.00
Greece	Dr100	Morocco	Dhs1.00	Turkey	L500
Hong Kong	HKS12	Netherlands	Fls.00	UAE	Dhs1.50
India	Rs15	Norway	Nkr3.00	USA	\$1.00

World News Business Summary

Language row brings Martens resignation

Unisys income soars by 145%

King Baudouin accepted the resignation of Belgian Prime Minister Wilfried Martens' coalition Government over a language row - then asked him to form a caretaker government.

The King also asked Martens to draft a list of constitutional reforms to defuse linguistic strife between Belgium's 3.5m Dutch and 4.5m French-speakers.

Martens was expected to form again a centre-right alliance which would prepare the outlines for reforms and carry on routine business before calling elections either in mid-December or mid-January. Page 28

Indians penetrate

Tigers strengthen

Indian troops met stiff resistance but advanced slowly into the centre of Jaffna city, stronghold of the Liberation Tigers of Tamil Eelam in northern Sri Lanka.

In eastern Sri Lanka at least 40 Tamil refugees were killed when guerrillas accidentally exploded a landmine under a bus. Page 29

EC reforms impasse

EC members states drifted apart in their efforts to agree on a radical overhaul of their future finances, making the prospect of any deal by the December summit deadline increasingly unlikely. Page 28

Swedish minister quits

Swedish Justice Minister Sten Wickbom resigned, saying he took full responsibility for a series of mistakes which led to the escape of a Soviet spy from under the noses of the security services. Page 2

New Zealand sanctions

New Zealand imposed sanctions against Fiji in response to its change of status to a republic, ending all military co-operation and cutting economic aid. Page 4

Vatican deficit talks

Cardinals met to seek ways of reducing the Vatican's deficit - expected to reach a record \$63m this year - and church sources said they might propose making the Roman Catholic Church's budget public for the first time.

Yugoslav tax plea

Prime Minister Branko Mikulic called for higher taxes, wage and price restraints and easier debt repayments to rein in Yugoslavia's 12.3 per cent inflation and \$20bn foreign debt. Page 2

Cereal stocks warning

Cereal stocks in developing countries could plunge to the lowest levels in decades this year because of bad weather in Asia and Africa, the UN Food and Agriculture Organisation warned.

Train crash kills 100

More than 100 people were killed and 305 injured when two crowded Indonesian commuter trains crashed head-on in Jakarta, apparently after a signals fault.

Sudan prices demo

About 10,000 people marched through Khartoum in protest against price increases and devaluation of the Sudanese pound. Page 13

Unesco criticism

Spanish newspapers attacked the Government for failing to support Federico Mayor's campaign to become Unesco director-general and congratulated him on winning nomination over the weekend. Britain is stay out. Page 13

Home-brew headache

A sharp rise in Soviet sugar consumption since the start of the Kremlin's anti-alcohol drive in May 1985 indicated home-brewing was costing the state 20bn rubles (\$32bn) a year in lost vodka sales, Pravda said. Soviet economy. Page 2

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World equity markets succumb to widespread fears of recession as sellers take control

Record falls on Wall Street trigger worldwide slide

BY ANATOLE KALETSKY AND RODERICK ORAM IN NEW YORK AND JANET BUSH IN LONDON

THE LONG-FEARED stockmarket crash of the late 1980s became an accomplished fact yesterday, as share prices collapsed on Wall Street in a wave of selling unlike anything seen since the 1930s.

The collapse in confidence on Wall Street spilled over into Japanese and European equity markets, with some of the worst daily share price falls on record.

Panic selling hit bourses throughout Europe, testing stock exchange systems to the limit and leaving dealers wondering how their markets could find any insulation from Wall Street's disastrous performance.

The London Stock Exchange experienced its worst fall for over 12 years. Frankfurt's Commerzbank Index registered its largest daily fall ever. Only the Japanese stock market showed any resilience in the face of events on Wall Street.

At the close of New York trading the Dow Jones Industrial Average had plummeted 500.32 points to 1,738.74 in an unprecedented flood of sell orders which broke effortlessly through every bear-market record set since the Great Depression.

The Dow's percentage fall of 22.62 per cent was nearly four times the previous postwar one-day record of 5.7 per cent, set in the early 1960s, since the collapse of 12.8 per cent recorded on October 28 1929 - the day of Wall Street's Great Crash.

The widespread selling intensified when the US announced

At the New York Stock Exchange traders worked frantically to keep up with the millions of sell orders flooding Wall Street.

"It is absolutely wild," said Mr Rhett Dupont Jr, a New York Stock Exchange official. New York Stock Exchange Vice-President Richard Torreano said: "We just can't make the paper run fast enough because you couldn't be able to read it."

At the close 603m shares had changed hands on the NYSE, surpassing easily the previous record of 338m shares, which was set only last Friday. Technically, this is 1929. It may not be of the same magnitude but this thing is very similar to 1929," said Mr George Soros, president of Soros Fund Management, and one of the most successful investors in New York. "Hopefully, we will now have a replay of 1930 to 1932," he added.

Traders, many of whom had

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France's small shareholders told to sit tight, Page 2

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• Dow Jones Industrial Average

• Nikkei Average

• Oil and gold prices soar, Page 28

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times the previous postwar one-day record of 5.7 per cent, set in the early 1960s, since the collapse of 12.8 per cent recorded on October 28 1929 - the day of Wall Street's Great Crash.

The news gave another boost to an already strongly rising gold price, which leapt to a peak of \$490 an ounce, its highest level for 4½ years.

have kept their nerve.

Private investors appeared to have been scared out of even attempting to respond to the drop and probably could not have called their brokers in any case.

On equities dealer in London commented: "The professionals will go down with the ship rather than be seen to be unprofessional by panicking. The true professionals got out of the London market three weeks ago."

Although the price falls were astonishing and the speed of the drop unprecedented, institutional selling was not reported to have been substantial and the large pension funds and insurance companies seemed to

have kept their nerve.

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However, the fall has worried

many involved in the British Government's sale of British Petroleum shares.

Not only is there grave concern that the small investor could now shy away from the offering but there was also speculation that the Government might even delay the sale if share prices continued to

slump.

Continued on Page 20

Heavy selling hits bourses all over Europe

BY JANET BUSH IN LONDON

FRANTIC SELLING hit bourses throughout Europe, testing stock exchange systems to the limit and leaving dealers wondering how their markets could find any insulation from Wall Street's disastrous performance.

Share prices were marked down sharply at the outset as the bourses responded to last week's wave of selling on Wall Street and then dived as US equities again opened lower.

In London, trading was chaotic as the Stock Exchange's automated quotation system failed to cope with the volume of business and telephones were left

ringing by dealers already inundated with calls.

In Frankfurt, the bourse stopped for an extra half hour and in Brussels, where the fall in share prices was the largest since records began 23 years ago, trading was extended by 45 minutes.

The London Stock Exchange was worst hit as traders swiftly responded to two days of heavy selling on Wall Street. On Friday, business in the City of London was almost shut down after overnight storms.

The FT-SE 100 index was marked down by nearly 140 points at the outset yesterday

and plunged more than 300 points before rallying nervously to close at 2,023, down 249.8 points, the worst points fall in a day since the FT-SE index was started. The day's record points fall was on August 6 when it closed 56 points lower.

In percentage terms, yesterday's drop of 10.1 per cent, as measured by the FT Ordinary Index, was the largest since a decline of 7.1 per cent in March, 1974. The FT Ordinary closed at 1,629.2, down 183.7 since Thursday.

Most share analysts were trying to put a brave face on yesterday's rout, arguing that the

fundamental strength of the British economy would begin to reassess itself on market psychology when the current hysteria calms down.

One equity dealer in London commented: "The professionals will go down with the ship rather than be seen to be unprofessional by panicking. The true professionals got out of the London market three weeks ago."

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astonishing and the speed of the drop unprecedented, institutional selling was not reported to have been substantial and the large pension funds and insurance companies seemed to

have kept their nerve.

In comments which were seen as directed as much to Bonn as to Washington, Mr Edward Balladur, the French Finance Minister, yesterday called for all participants to live up to their commitments.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, has done little to dispel his view that West Germany should do more to promote economic growth and should avoid any tightening of monetary policy.

While it has been careful to avoid public criticism of the recent Bundesbank moves, the Government's view is that they have been "unhelpful".

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By adding liquidity to the market through a special provision allowing use of government funds deposited with it, the Bundesbank brought call money rates down to around 3.75 per cent after a day's high of 3.95 per cent.

Continued on Page 20

Bankers try to restore confidence in dollar accord

BY PHILIP STEPHENS IN LONDON AND ANDREW FISHER IN FRANKFURT

EUROPEAN OFFICIALS yesterday sought to restore market confidence in their commitment to last February's Louvre accord as the dollar fell sharply in response to the recent transatlantic dispute over rising West German interest rates.

There were also signs that West Germany's Bundesbank is moving away from the stance of independent stance of monetary policy which sparked the row.

The central bank moved to boost liquidity in the Frankfurt money markets, and a senior official said that it was

now prepared to resist pressure for further increases in interest rates.

The dollar's fall yesterday followed weekend remarks by Mr James Baker, the US Treasury Secretary, underlining Washington's anger over successive nations, which feel that West Germany may have over-reacted to market

EUROPEAN NEWS

Gonzalez backs closer EC ties on defence

MR FELIPE Gonzalez, the Spanish Prime Minister yesterday backed increased defence co-operation with European Community nations and said common action would not threaten the presence of US forces in Europe, AP reports from Florence.

The Spanish leader said at the European University Institute, where he delivered an address on European unity, that the recent Franco-German agreement on a common brigade and joint manoeuvres was a precondition for such defence co-operation.

"The common defence area of Europe is an idea whose time has come," said Mr Gonzalez, noting that the tentative Soviet-US agreement on intermediate nuclear forces had re-opened a debate on European security.

Asked how this would affect Spain's current negotiations with the US on bases, Mr Gonzalez replied: "Any reflection will have to take into account the US presence on different parts of the continent."

Spain will have to decide by November 14 whether it will renounce the current five-year treaty with the US signed in 1963, as talks between the two countries have stalled.

There are 10,500 US troops and four joint-use US-Spanish bases in Spain.

He said his proposals for greater European defence co-operation "have no relation to the present negotiations," but he would not comment further.

Pointing to possible areas of cooperation in European defence, Mr Gonzalez said the Western European Union, a loose-knit defence framework, could be revived. It



Felipe Gonzalez

could also take the form of joint construction of tanks, and a single fighter plane, he added.

In his address at the university's annual Jean Monnet conference, Mr Gonzalez echoed the same themes, saying that the Western defence framework had now changed with the new Soviet-US agreement and that it was "clearer than ever" that European countries should work together for their common defence "but within the framework of the Western alliance".

On other issues, Mr Gonzalez predicted that Mr Federico Mayor Zaragoza of Spain, the new director-general of Unesco, would be able to restore co-operation between countries at the international organisation.

He also reiterated that Spain's position not to send ships to the Gulf would not change and that any confrontation between the US and Iran would not affect the present climate of detente between the US and the Soviet Union.

Yugoslav PM spells out plan to ease debt crisis

BY OUR FOREIGN STAFF

THE Yugoslav Prime Minister, Mr Branko Mikulic, yesterday outlined to Parliament a 150-point programme designed to persuade the country's foreign creditors to accept proposals for debt consolidation.

Senior officials had been quoted several times in recent weeks as saying that Yugoslavia would cut back repayments on its \$15bn foreign debt by 25 per cent of the country's foreign currency earnings next year.

Mr Mikulic said that Yugoslavia had used 46.5 per cent of its hard currency earnings in the past 12 months to make debt repayments, which are currently suspended pending the start of negotiations on rescheduling with Western creditors.

He painted a gloomy picture of Yugoslavia's economy, saying that gross national product was expected to grow by only 1 per cent this year, compared to 3.6 per cent in 1986.

If price controls are increased, this would go against recommendations from the International Monetary Fund to liberalise the price structure as one step toward improving the Yugoslav economy.

Turkey halves its current account deficit to \$674m

BY DAVID BARCHARD IN ANKARA

TURKEY'S current account deficit was \$674m in the first seven months of this year, around half what it was in the same period of 1986, the State Institute of Statistics announced yesterday.

The improvement comes despite increased debt servicing obligations this year. Central Bank officials still expect the deficit to reach about \$1.1bn by year-end.

A rise in exports this year seems to be the most important factor behind the current account performance. Central Bank figures show that exports have risen by 31 per cent to \$5.86bn in the first nine months of the year, with an all-time exporting

monthly record of over \$1bn in September.

The export increase comes from trade with the OECD (up by 23 per cent in the first nine months of this year) and the EC (up by 56 per cent in particular).

Exports to Islamic countries fell by nearly 12 per cent.

However imports are also growing. They rose by 16 per cent in the first nine months of the year, most of the increase coming from the petroleum-exporting countries of the Gulf.

The current account performance should reassure the international community that Turkey will not need an additional balance of payments assistance until well into 1988.

Terry Dodsworth assesses the likely impact of an unusual industrialist on a joint European information technology programme

Stern rhetoric puts Europe's Esprit on its mettle

MR JACQUES STERN, chairman of Bull, the French computer group, is an unusual industrialist. For one thing, he loves giving speeches - long, stirring orations in which he pours out his convictions on the need to strengthen Europe's high technology industries. For another, he has no fear of controversy.

On both counts, Mr Stern made his mark at the recent conference on the progress of Esprit, the joint European programme of research into the information technology industry. In a keynote address on the results of Esprit, he put the case for a stronger European research effort in terms that would not have seemed out of place in the Gaullist rhetoric of 25 years ago; and he went out of his way to press for a more hard-headed, market-oriented approach directed at producing marketable products.

Mr Stern's intervention pin-pointed a number of issues which will face collaborative European research projects

over the next few years. The principle of co-operative programmes now seems to have been firmly established: after the long struggle over the European Community budget earlier this year, Esprit has been given new funding which will double its resources to Ecu3.2bn (£2.2bn) for a five-year programme starting roughly a year from now; and companies and universities from the full range of the EC have undoubtedly learned to work together in a way that would have been unimaginable five years ago.

But the technology gap between Europe and its competitors in the US and Japan remains. The original Esprit programme, now in its fourth year, aimed to tackle the technology issue with an ambitious and modest approach. On the first year, it has channelled funds into companies and universities which were willing to form transborder alliances: a dramatic bid to push these institutions beyond their national boundaries, give a European

PLUMMETING MARKET PUTS PRIVATISATION PLANS IN DOUBT

BY GEORGE GRAHAM IN PARIS

FRANCE'S new generation of small shareholders has woken up with a jolt to the dangers of the stock market.

After rushing to buy shares in the 11 companies which have been privatised in France in the past nine months, they are now looking at the other side of the coin - Le Krach.

The collapse of Paris share prices in recent weeks has brought a regiment of government ministers out to man the barricades.

"We have to look at things over the long term, not at day-to-day movements. What savours should be looking at is the health of our economy and the health of our companies," said Mr Edouard Balladur, the Finance Minister.

"Don't panic, hold on tight to your shares. You must not be afraid to sell them because the market is falling," said Mr Jean Chaban-Delmas, president of the French National Assembly, in front of the microphones of Radio Monte Carlo.

Mr Jacques Chirac, the Prime

Minister, was even more reassuring as he toured the South of France. "This is not our problem," he said. "There is no reason why our stock market should suffer anything but temporary and indirect shocks coming from abroad."

At stake for the Government is the success of its ambitious privatisation programme. A month ago, the stock market flotation of ten companies worth FF100bn (£10bn) seemed an uncontested triumph, perhaps the most solid achievement Mr Chirac's administration has scored since it came to power in March 1986.

France now boasts an estimated 3m direct shareholders - three times as many as existed a year ago - whose lack of experience of the stock market has caused frictions of anticipation among brokers who feared that they might panic at the first signs of collapse.

Hard-bitten institutional investors expressed surprise at the spectacle of the chairman of the Paris stock exchange, Mr Xavier Dupont, urging small investors to keep their sash froid.

But the privatised companies have not been spared from the collapse of the stock market. Many of them are now trading

below the price at which they were originally floated. Paribas dropped yesterday to FF367, 9 per cent below its issue price, joined by Compagnie Generale d'Electricite (CGE) and Societe Generale, with more than 2m shareholders apiece.

For the time being, the privatised companies feel that their shareholders have not been gripped by the panic. The small shareholders are staying very calm. The market may have come very much from the institutional investors," commented Mr Andre Azoulay, director of communications at Paribas.

"We have the impression that very few shareholders are selling. The problem is that no-one at all is buying, which makes the share price fall," said Mr Jean-Francois Guichard, in charge of investor relations at CGE.

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from the 3.3m applications clocked up by Suez's main rival Paribas, but is nevertheless remarkable in today's highly unpredictable marketplace.

The real fears come for the next round of privatisations: for Matra, the defence and electronic company whose offer for sale opens next week, and for the two insurance companies, one bank and one industrial company which Mr Balladur has said he wants to privatise by March next year.

The steep fall of the stock market is creating mounting anxiety at the headquarters of Rhone-Poulenc, the chemicals group, and Pechiney, the aluminium producer, which are competing to be selected as the next industrial group to be privatised. Both are eager to raise new equity capital to finance their growth plans, but are also worried about the impact of the market on their balance sheets, but they can only do this if they are allowed to move into the private sector - a hope which may now be dashed.

Two key sectors lag in Soviet economy

By Patrick Cockburn in Moscow

THE SOVIET economy, two months before the introduction of the most important managerial reforms since the 1930s, is achieving moderate rates of growth but continues to lag in engineering and construction sectors, the Soviet Parliament was told yesterday.

Mr Nikolai Talyzin, head of the state planning organization Gosplan and a candidate member of the politburo, said when introducing the plan and budget for 1988 that industrial production was planned to rise by 4.5 per cent this year. This is up on the original five-year planning estimates and compares with an increase of 3.6 per cent so far for this year.

Decentralising

However, Mr Talyzin also stressed that from January 1 next year 60 per cent of industry will switch to self-financing and cost accounting in a move to decentralise management decisions. Central bodies such as Gosplan ought to play a much smaller role in determining the day-to-day activities of enterprises.

As a result of these reforms, whose immediate impact on production is unknown, the attainment of plan targets for industry and agriculture will be less and less determined by Moscow.

Nevertheless,

Mr Talyzin

considered a conservative on economic reform, told the Supreme Soviet that national income was planned to rise by a very ambitious 4.3 per cent in 1988 on this year's plan, industrial output by 4.5 per cent, agriculture by 3.4 per cent and labour productivity by 4.3 per cent.

Reviewing Soviet economic performance in 1987, Mr Talyzin said that the crucial machine-building industry, which is meant to retool the rest of Soviet industry, did not achieve its output at the required rate. Production was up only 3.3 per cent in the first three quarters of the year in part because a proportion of its output was being rejected by Gospromka, the state quality control organisation introduced at the start of 1987.

The troubles of the machine-building industry confirm that it is having difficulty in simultaneously absorbing a high level of investment, raising its technical standards and increasing production simultaneously. "It is not being allowed the necessary breathing space to retrospect," said a Western diplomat yesterday. More optimistically, the low figures for the production increase do indicate that quality control is making an impression.

Mr Talyzin said that the impact so far of new methods of economic management was still small. Its real effect would only become apparent after the introduction on January 1 of the State Enterprises law ushering in financial independence and cost-accounting to 60 per cent of Soviet enterprises.

Mr Boris Gostev, the Finance Minister, who spoke after Mr Talyzin, said there were improvements but "some managers out of habit request money from the state instead of earning it."

But both he and Mr Gostev underlined the significance of two other economic changes. The first is the transfer of responsibility for construction to enterprises themselves to encourage innovation. "The duration of construction is twice what it should be," tying down major resources, Mr Gostev said.

Energy saving

Figures released at the weekend showed that capital construction in the machine-building complex was 82 per cent of plan and in the chemical and wood industries was 74 per cent of target. Mr Talyzin said: "The plan is now being drawn up by the centre at the bottom with the centre only exercising overall control."

Another aspect of change underlined yesterday was saving resources. In the energy sector, oil, coal and gas have now exceeded their targets since 1986 though they absorb a high proportion of industrial investment - and senior Soviet officials have spoken of raising the price of fuel and raw materials to make enterprises more efficient in their use.

The statistical detail of Mr Talyzin's speech yesterday gives the impression that Gosplan and other central economic bodies, which are meant to be issuing fewer instructions, are loath to reduce their authority.

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Swiss poll breakthrough eludes Greens

BY WILLIAM DULLFORCE IN GENEVA

SWITZERLAND comfortably contained the assault of the Green environmentalists in the Federal parliamentary election at the weekend. For the second time running the principal leader turned out to be the Socialist Party.

But one of the oddest, if marginal, effects of the Greens' thrust to win influence in Swiss politics was the success of the car-owners' Auto Party, recently formed to oppose the environmentalists. It has placed two of its candidates in the National Council.

Greens therefore expect to hold at least 12 seats in the National Council, sufficient to entitle them to be represented in key parliamentary committees.

However, the Green breakthrough through which some conservative politicians had expected to follow the Soviet nuclear accident at Chernobyl and last November's pollution of the Rhine by Swiss chemicals, simply did not materialise.

Among the three "bourgeois" partners of the coalition, the Radical Democrats, the biggest, were projected to end up with 50 seats, a loss of four, in the National Council, while the Christian Democrats were expected to hold 41 seats, one less than before.

The People's Party, a small far-right movement turned liberal, which some forecasters speculated might be overtaken by the Greens, was instead on the way to gaining four seats. In addition, the 46-member

Non-aligned and neutrals to be excluded from troop cut talks

BY JUDY DEMPSEY IN VIENNA

THE member states of Nato and the Warsaw Pact, which are meeting here informally to draw up a draft mandate for reducing conventional forces have agreed in principle to exclude the neutral and non-aligned countries from any formal talks.

Since February, the 16 members of Nato and the seven Warsaw Pact states have been meeting to look at ways of giving fresh impetus to the cutting of conventional forces in Europe. Both sides are now discussing each other's draft documents in an atmosphere described as "very business-like and free of polemics."

"It is fair to say that the Warsaw Pact has now accepted this proposal," a Western diplomat commented.

The main sticking point, how-

ever, still centres on the scope of the talks. Nato, in its proposal on "conventional stability" presented in July, insisted that the talks focus specifically on reducing conventional forces. The talks, however, cannot be finalised until a mandate is agreed by all the 25 participants in the CSCB process.

A draft document presented by the Warsaw Pact in June stipulated that all the 35 CSCB states be involved in the new talks. Nato, in contrast, favoured a system whereby the neutral and non-aligned would be informed about the talks on a regular basis.

After its escape with his wife was discovered, ten hours elapsed before police sent out a national alert.

The minister added that his

Bergling was sentenced to life imprisonment in 1979 for selling secrets about the security police and defence staff to the Soviet Union. The Swedish defence staff

AMERICAN NEWS

Poor outlook for Brazil confirms creditors' fears

By IVO DAWNAY IN BRASILIA

A MARKED slowdown in Brazil's economic performance has forced Finance Ministry officials to revise their forecasts presented to bank and institutional creditors in June as part of the country's Macroeconomic Consistency Plan.

Publication of the new figures, scheduled for the end of this week, will confirm fears that Brazil's outlook for the year end is less rosy than predicted.

Official reports claim that the forecast for the public sector deficit has been raised from 2.5 per cent to 4.5 per cent of gross domestic product. The new estimate takes into account a larger than expected deficit in the first half - up from 1.9 per cent to 2.1 per cent - additional expenditure previously unaccounted for and a large rise in the federal government's salary bill.

The fall in industrial output in August and September has also forced a downward revision of the year end growth in GDP from 3.5 per cent to 2 per cent. Brazil needs to achieve growth of 6 per cent a year merely to absorb the more than 1m workers who enter the labour market each year.

The poorer outlook confirms the fears expressed by foreign creditors after the plan was launched that the forecasts were too optimistic.

Baker flies to Europe for talks

By Stewart Fleming, US Editor, in Washington

US



James Baker: new uncertainties

Visible trade performance is continuing to improve, however, fuelled by strong exports of coffee and cars.

A trade surplus of more than \$1.4bn in September has led officials to revise the 12 month forecast from \$9.5bn to \$10bn, it is claimed.

The improvement had fuelled speculation that Brazil may offer to make a symbolic payment of some interest on \$600m in long-term commercial bank loans.

Interest payments on these credits were suspended in February after it was revealed that Brazil's foreign reserves had fallen dramatically by \$4bn.

Official newspaper reports have speculated that the Brazilian Government will offer a token payment shortly in an effort to prevent US bank regulators ordering a further downward revision of the status of the country's debt to "value impaired".

Mr Fernando Milliet, the Central Bank president, has this week resumed talks in New York on a possible strategy for rescheduling the country's \$12bn foreign debt. There is no doubt to be growing concern in Brazil that the continuing moratorium is drying up the supply of short term trade financing from commercial banks.



Mr James Baker: new uncertainties

Treasury officials said Mr Baker would consult finance ministers on a range of bilateral and multilateral issues including the Third World debt problem.

There is speculation that the Treasury Secretary may also meet West German officials.

Last week Mr Baker injected new uncertainties into the world's financial markets by attacking West German economic policies.

With the US financial markets collapsing for the third consecutive day yesterday, some economists have concluded that Mr Baker's attack on West Germany, coming at a time of heightened nervousness over the US budget deficit, could well turn out to be his worst mistake in two and a half years at the Treasury.

Much depends, however, on whether Wall Street can both stabilise and recover confidence in the wake of its worst post-war battering.

Mr Baker's political standing is also on the line now. There is concern over the policies which have been adopted by both the Treasury (in terms

of Administration rhetoric) and the Federal Reserve Board. The Fed's decision not to raise the discount rate to steady the markets also has the stamp of the Treasury Secretary's strategy.

Indeed on Wall Street some financial experts are disturbed by evidence that the dollar under its recently-appointed chairman, Mr Alan Greenspan, is echoing Mr Baker's confident assessment of the outlook for inflation.

Yesterday Mr Peter McPherson, the Deputy Secretary of the Treasury, told a US-Israel trade conference the economy's fundamentals were "very strong" in spite of the budget deficit and trade deficit problems.

Echoing Administration views, Mr McPherson said that the US had made enormous strides in reducing unemployment and creating jobs.

He added that the rise in interest rates and the volatility in the stock market were of concern but, like Mr Baker, he thought market expectations of inflation were exaggerated.

average New Brunswick voter's mind.

In similar fashion, the present unpopularity of the Mulroney administration has been widely blamed on a sequence of scandals, which have undermined such political successes as the Meech Lake accord and the Finance Ministry's generally well-received tax reform package.

Coming just a month after the Ontario Liberals under Mr David Peterson had gained a landslide of scarcely lesser proportions, the result set more alarm bells ringing for Mr Brian Mulroney's beleaguered ruling federal Conservative Party in Ottawa.

Having garnered 50 per cent of the vote and a crushing House of Commons majority in the September 1984 general election, the Ontario Liberals had the support of fewer than one in three decided voters throughout this year. The latest Gallup poll, conducted between October 7 and 10, less than a week after the signing of a tentative free trade pact with the US, puts support for the party firmly below the one in four level at 23 per cent. The opposition Liberal and New Democratic Party (NDP) have also seen a three or four point decline in the scale of the party's current catalogue of woes.

First, the present-day Conservatives still have much ground to lose before they reach that farce point. While Conservative support among the premiers of the ten provinces has now shrunk to four, the support on issues like free trade of British Columbia's Social Credit party premier, Mr Bill Vander Zalm, and Quebec's nominally Liberal Mr Robert Bourassa, should often effectively swell the ranks to six.

Also working in the federal Conservative Party's favour are the doubts which still surround the challenges of both the ap-

parently high-flying Liberals and the NDP.

The decent but uncharismatic Liberal leader, Mr John Turner, appears to be fighting for his political life under charges of indecisiveness and amid worries that the unprecedentedly high levels of NDP support may prompt a polarisation of Canadian federal politics which risks leaving the Liberals, for so long the natural party of government, out in the cold.

Doubts persist, meanwhile, regarding the true depth of support for the left-of-centre NDP outside its western Canadian heartland. There is too a lingering feeling, despite a clean sweep of summer by-election victories, that an appreciable proportion of those now pledging allegiance to the traditional third party of Canadian politics would get cold feet and revert to more traditional alternatives in a general election.

The door then is still ajar for the Tories to stage a recovery before the next election falls due in September 1989. Much, however, depends on the public's response to the US trade deal.

While the latest poll indicates that initial reaction to the deal is anything negative, the further two-point slump in the party's national rating masks a startling surge in its popularity in the Canadian west. Support for the Tories in the western provinces jumped nearly 10 per cent from the preceding month to 33 per cent. Both premiers Bill Vander Zalm of resource-rich British Columbia and Don Getty of oil-producing Alberta are strongly in favour of the US trade pact.

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Venezuela bank chief to resign

By Joseph Mann in Caracas

MR HERNAN ANZOLA, president of Venezuela's Central Bank, has announced that he plans to resign after only 14 months in the post.

The normal term for a Central Bank president is five years. Yesterday two major Venezuelan daily newspapers reported that Mr Anzola was planning to leave the key Central Bank position. But reports yesterday suggested that President Jaime Lusinchi, who is responsible for naming the Central Bank chief, had not yet been informed of Mr Anzola's resignation.

In an interview published yesterday, Mr Anzola said he was not leaving the bank "on the crest of a wave" of Government crisis, but that he wanted to return to a management position in a state-owned oil industry, where he has worked in the past.

Private sector sources said the Central Bank executive was unhappy with his job due to frequent policy clashes with other members of the Government and with the business and banking community.

Prior to assuming the Central Bank presidency, Mr Anzola served the current administration as State Minister for Basic Industries and Vice-Minister of Energy and Mines. No one has yet been named as a possible replacement for Mr Anzola.

Mexican maverick fails to win backing

By DAVID GARDNER IN MEXICO CITY

MEXICO'S independent Left, grouped largely in the Mexican Socialist Party (PMS), will almost certainly not back Mr Cuauhtemoc Cardenas in his maverick bid for the presidency announced last week.

Mr Cardenas, who has for more than a year led the reformist Democratic Current within the ruling Institutional Revolutionary Party (PRI), has alienated the PMS and many of his supporters by getting himself formally proposed as a presidential candidate by the so-called Authentic Party of the Mexican Revolution (PARM), a tiny and discredited party sponsored by the PRI.

The main result of what had looked like the most serious challenge the 70-year-old regime had faced since the presidential elections of 1940, now appears as though it will lead to a further fracturing of the opposition to Mr Carlos Salinas de Gortari, the official PRI nominee to succeed President Miguel de la Madrid next year.

Mr Heberto Castillo, the respected veteran chosen by the PMS in primary elections as its presidential contender, and who had earlier offered to step aside for Mr Cardenas, has virtually dismissed any possibility of an alliance.

"In the end he was more concerned to preserve his candidacy than to resolve the problems of the country," Mr Castillo concluded bitterly last week of Mr Cardenas, with whom he has been the joint curator of Mexico's left-wing nationalist conscience for decades.

Mr Cardenas, a former state governor and senator and son of President Lazaro Cardenas, had challenged President de la Madrid's right to hand-pick his successor and the austerity poli-

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Carlos Salinas official successor

ties of the last five years, which have been particularly associated with Mr Salinas, the Planning Minister.

His calls for more democracy, and espousal of popular policies like a suspension of service payments on the \$105bn foreign debt resonated loudly in Mr Salinas' regime-dominated politics, causing disarray in the PRI leadership which twice tried to expel him.

But Mr Cardenas' decision to ally himself with the PARM, and possibly two other PRI satellite parties, appears overnight to have frittered away the considerable moral capital his stance had built up. This is the more so since his candidature was imposed within the PARM without consulting the rank and file and in a deal with party leaders, which led to the expulsion of dissidents. This was exactly what Mr Cardenas had most criticised inside the PRI and what had led to his break with the re-

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OVERSEAS NEWS

US group seeks to halt Botswana soda ash project

BY JIM JONES IN JOHANNESBURG

THE American Natural Soda Ash Corporation, a cartel of Wyoming soda ash producers, is trying to block development of Botswana's Sua Pan soda ash project. Agreement on Sua Pan's development was reached by the Botswanan and South African Governments in Gabon.

Mr John Andrews, Ansac's president, has written to most of the South African users of soda ash, the only feasible buyers of the Botswanan product, saying that:

"Botswana is politically a rising source of supply than the US."

That the only successful soda ash production units established since 1974 were those based on trona (hydrated sodium carbonate) deposits in the US.

That the Botswanan soda ash is likely to be far more expensive than American.

That the Botswanan material is unlikely to be as pure as the American.

Paradoxically AECI, South Africa's largest diversified chemicals group is involved on

both sides of the equation. It plans to develop the Sua Pan deposits jointly with BP Minerals, and its Chemserve subsidiary has a bulk loading facility at Durban and imports Ansac soda ash. ICI, which has a big interest in AECI, imports synthetic soda ash into South Africa from Britain.

Mr Mike Sander, AECI's chief executive, says that Ansac's allegations are misleading. He believes the Sua Pan project is profitable at current soda ash prices and adds that if Ansac drops its prices to undercut Botswana, South African anti-dumping tariffs would be triggered.

He adds that the Sua Pan trona is as pure as any extra-trona in America and that common salt, an important chemicals feedstock, will be a valuable by-product.

Mr Sander says that Sua Pan's production will simply supply South Africa's annual needs of about 300,000 tonnes of soda ash. He adds there is little point in exporting as world markets are over-supplied.



THE ANNUAL rice harvest on the rich Niigata plain is almost over and here, as elsewhere in Japan, the news is very bad: another bumper crop has been brought in.

"If it goes on like this, one year in three we will not have to produce any rice at all," says Mr Koichi Hara, president of the Nokyo (agricultural co-operative) of Shiroine City in Niigata.

Excessive rice production is the latest problem to emerge in Japan's grotesquely distorted agricultural industry. This year, thanks in part to the Government's generous subsidies, rice production may reach 13.7 million tonnes. Meanwhile, consumption, which is on a long-term declining trend due to Japan's growing affluence, will be only 10.6 million tonnes.

Listening to some US critics of Japanese agriculture, it would be easy to conclude that this situation is out of control and getting worse. However, the clear implication given over two days of talks with farmers and agricultural industry leaders in Niigata, one of Japan's leading rice growing areas, is that reform is on the way.

The Government is putting increasingly severe restrictions on rice production and, at long last, is beginning to cut support prices. Last July, for the first time in more than 30 years, the Government ignored the demands of the powerful farm lobby for the customary annual increase in the official rice price,

Japan faces reform in the rice fields

Ian Rodger visits Niigata prefecture and finds bad news for farmers in a bumper harvest

instead cutting it by 6 per cent.

Moreover, the traditional rural lifestyle, which the Japanese argue must be preserved, is breaking down as more young people choose to take jobs rather than continue farming and as mechanisation encourages consolidation of small farms. Of those who remain, more than 90 per cent have university degrees and have travelled round the world.

The reform process will not occur as quickly as the US Rice Millers Association would like it to. Instead, it may be slowed if foreign governments' anger over the Japanese turn stubborn.

Even Mr Koichi Miyazawa, the most cosmopolitan of the three candidates hoping to succeed Mr Yasuhiro Nakasone as prime minister later this month, has his doubts.

"I think we are on the right track to solve this problem domestically rather than from international pressure," he said yesterday. But the social and economic trends in rural Japan, like those in other industrialised countries, seem irreversible.

Ironically, the main cause of Japan's current agricultural problems, which make Japan's rice prices about five times world market levels, is the US rice programme carried out by the US occupation authorities after World War II. Under this programme, sharecroppers were given the opportunity to buy, at nominal prices, the land they had worked for generations. Most did so. Initially, the effects of the programme were very positive, contributing to the broad distribution of income and property ownership that helped Japan to rebuild its economy.

However, the proliferation of small family farms, exacerbated by split inheritance, has created a patchwork of tiny, inefficient operations. In Niigata, for example, the average farm size is only 1.21 hectares, and the Government considers anything over five hectares to be large.

Mr Eiichi Mitsuji, a member of a five-farm co-operative that manages 15 hectares near Takai City, claims that their operation is about the optimal size for rice cultivation. "Our costs are about 20 per cent lower than they would be if we were farming on our own," he says.

Until recently, even the smallest farms were able to carry on, largely because of the Government's generous support

prices, which make Japan's rice prices about five times world market levels. The other key factor was mechanisation. Rice is a relatively undemanding crop to look after, so small farmers gradually found they had time to supplement their income with part-time jobs. In Niigata today, 94 per cent of farm households are classified as part-time.

However,

the combination of

enforced rice production cutbacks and the prospect of gradually declining support prices threatens to undermine this hitherto relatively stable situation.

Take the case of the Kataigiri family, which owns one hectare of rice fields near Shiroine City in Niigata. Mrs Yei Kataigiri works the fields during the week while her husband drives a truck for a steel stockholder and her eldest son works in the local co-operative. They join her in the fields on Sunday and take their holidays during the peak work times in the spring and autumn. Until now, that routine has been enough to keep the farm going.

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MANAGEMENT: Small Business

Remoteness is no barrier

Charles Batchelor visits companies in the sparsely populated Highlands and Islands

IF YOU HAD A CHOICE OF WHERE TO SET UP A COMPANY MAKING FRIDGE-FREEZERS IT IS UNLIKELY YOU WOULD PICK CASTLETON IN CAITHNESS, SCOTLAND'S NORTHERN-MOST MAINLAND COUNTY. CASTLETON, A COMMUNITY OF SOME 800 PEOPLE, HAS NO OTHER MANUFACTURING INDUSTRY AND IS 200 ROAD MILES FROM THE NEAREST-LARGE CENTRES OF POPULATION - GLASGOW AND EDINBURGH.

Despite these drawbacks, Pat and Alex Grant have built their company, Norfrost, into what they claim is Europe's largest manufacturer of fridge-freezers. They currently turn out 150,000 a year, 90,000 for export, and see a market potential for 600,000.

With anticipated pre-tax profits of £1.5m on sales of £10m in their current year, they are planning an Unlisted Securities Market flotation within the next 18 months.

The Grants have defied the disadvantages of their remote location through a combination of a distribution operation agreed with military precision. Much of the production line was designed and built in-house by Alex Grant. The company's machine shop can carry out most repairs but, just in case, the factory carries a 10-week stock of most freezer components. The transport fleet is worked so efficiently that the fridge-freezers in transport terms bulky air-filled boxes can be delivered anywhere in the UK for a freight cost of just £2 each.

Norfrost overcomes the disadvantages of its remote location largely because of the determination of the Grants to make a go of it in their own home town. But for locals without their drive or outsiders with no local commitment the Highlands and Islands can represent a forbidding business environment.

"We help overcome this. The Highlands and Islands Development Board, Britain's first development agency, was set up in 1965. It backed more than 1,500 companies last year with an average of £12,500 each in grants, loans and equity and can expect to write off about 8 per cent of those loans on projects which fail.

Few of these companies will ever match Norfrost in size but small-scale solutions offer the best hope for the region's scattered communities which have

seen the failure of larger, more ambitious projects.

The Board believes other sparsely populated parts of the world could benefit from its experience and recently entertained a delegation from Finland keen to see how it worked.

With just 365,000 people spread over half of Scotland's land area (making it the most thinly populated region in the European Community) the problems it faces are enormous. The cost of establishing transport and communications links within the area are high and once the goods have been produced there is the difficulty of reaching even domestic markets several hundred miles away in south-east England.

Telecommunications links in the region need to be upgraded to take the data links required by many businesses and the Highlands Board has been lobbying British Telecom for such improvements.

The board has had some success with companies making small, high-value products which sell in world markets. Osprey Electronics, a Wick, Caithness-based manufacturer of underwater cameras and military night sights, sees no disadvantage in manufacturing far from its customers. Transport costs form only a small part of its costs.

Based on an industrial estate next to Wick airport, Osprey can airfreight its equipment to customers around the world. An important reason for this is the high level of unemployment; around 17 per cent generally and as much as 25 per cent in blackspots such as Durness and Lairg - where an aluminium smelter closed in 1982 and Fort William, where a pulp mill was shut down.

Zonal, a manufacturer of professional recording tapes, moved part of its operations from Redhill in Surrey to the shadow of the mothballed Invergordon smelter when it found it difficult to recruit more staff in the south-east.

Seven hundred people applied for the 200 jobs on offer,

many of them "dramatically over-qualified," notes David Cowan, the general manager. The company expects to take on an extra 30 people by the year-end while more jobs should be created by the decision of Zonal's packaging supplier to open a factory nearby.

Wage rates in the area are not necessarily much lower than

elsewhere in the country. Zonal pays the same rate in Scotland as in Surrey while Norfrost says it pays its production line staff £140 a week, including bonuses, to match rates offered at the nearby Dounreay nuclear power station.

Durney has had an influence on the local business community in other ways too, and number of former technical and professional staff - and including the founder of Osprey Electronics - have set up small businesses. "Durney is the nearest we have to a university in the Highlands," comments Bob Cowan, chairman of the Highlands Board.

An important factor for people who have set up businesses in the area is the quality of life. Zonal's David Cowan says his children are now better educated in the local school and he also feels safe letting them roam the local countryside. Before he was wary of letting them play in the street.

A number of local companies have been founded by incomers to the region who visited it on holiday and were impressed enough to come back to work.

Gaeltec's Maxwell reports that his Japanese distributor brings his top salesmen along for a few days' fishing at golf when he makes his annual visit.

Some companies, in fish farming or forestry products, have come to the region because of local raw materials. Highland Forest Products set up a plant near Inverness in 1983 to make wooden building panels for use in packaging and house con-

struction.

Using a technique developed

in the US the company is currently turning 160,000 tonnes of locally-grown Scots pine into board, which it believes will replace imported plywood as a building material.

Highland Forest Products re-

quired an initial investment of £12.5m or more than most local business ventures - and will need a further £17.5m to double production capacity over the next few years. The company was set up by an experienced management team which was able to raise funds from investors such as British & Commonwealth Holdings, 31 and the Scottish Development Agency.

Although some local small firm managers complain of the difficulty of raising funds, this is not more of a problem than it is for companies elsewhere in Britain.

The Board attempted some years ago to set up a venture capital company but failed - because it could find no suitable ventures to back.

"Projects in the Highlands are too small to need venture capital money," says Cowan.

There appear to be no large-scale solutions to the region's economic problems. But, despite the difficulties which remain, the Board believes that support for small business has played a part in reversing a process of depopulation which had lasted for more than 100 years.

Highlands and Islands Develop-

ment Board, Bridge House, 27 Bank Street, Inverness IV1 1QR. Tel: 0463 234171.



Osprey's underwater cameras (left) can be airfreighted anywhere in the world from its base next door to Wick airport, while the freight cost for Norfrost's freezers (right) to anywhere in the UK is £2

A creditable performance

Charles Batchelor explains how a young ballet company is building up its commercial reputation



Janet Lewis and Alan Watson: to introduce a profit-sharing scheme

WHEN THE company Janet Lewis worked for was faced with closure, she decided - like a growing number of enterprising employees in a similar position - that she would try and make a go of it herself. By slimming down the operation, it could be made to pay, she felt.

Her problem was that, unlike many more conventional businesses, there were limits to running a ballet company on a shoestring. But, despite the obstacles, Lewis has, over the past three years, created a viable business out of the near-collapse and has ambitious plans for growth.

She was thrust into a business career when the Adeline Genes Theatre in East Grinstead, Sussex, decided it could no longer keep up its loss-making Genes Ballet Company, whose Lewis was artistic director. The ballet company had been set up in 1979 from some 30 to just 10 dancers to cut costs but its policy of commissioning modern works imposed a heavy financial burden.

Lewis decided to run her ballet as a touring company with just seven dancers, one musician and two stage crew. It sticks to mainly classical works which are cheaper to produce and for which there is an established audience.

Using a technique developed in the US the company is currently turning 160,000 tonnes of locally-grown Scots pine into board, which it believes will replace imported plywood as a building material.

Highland Forest Products re-

quired an initial investment of £12.5m or more than most local business ventures - and will need a further £17.5m to double production capacity over the next few years. The company was set up by an experienced management team which was able to raise funds from investors such as British & Commonwealth Holdings, 31 and the Scottish Development Agency.

Although some local small firm managers complain of the difficulty of raising funds, this is not more of a problem than it is for companies elsewhere in Britain.

From an early stage Lewis and her main partner in the venture, Alan Watson, a dancer with the Geese Ballet, realised they needed honest, energetic and committed professionals to make the venture a success.

"The most important thing for the manager of a leisure centre in the provinces is the security that on the night the ballet company will not only be there to perform but will perform in a way which will do credit to his programme," comments Rhye Jones.

Watson who handles the marketing side of things as well as continuing to dance, now mails 1,200 theatres twice a year promising honest, energetic and committed professionals to make the venture a success.

"They began working their way through the Yellow Pages entry for marketing consultants until they came to Rhye Jones Marketing, a small consultancy in Greenwich, south-east London, which specialised in developing new technologies and new ventures for industrial clients."

"I told them I didn't think I could help but they said that everyone else had told them that everything was bad," recalls Rhye Jones. Initially reluctant, Rhye Jones says he was impressed by the commercial approach Lewis and Watson had already taken. "They already knew the answers to questions like how many venues around the country would be suitable for their company." Nevertheless, he did advise them to sell themselves to prove

vincial theatre managers on their commercial as much as on their artistic strengths.

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Watson who handles the marketing side of things as well

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TECHNOLOGY

Jane Rippeteau reports on the growing potential for marketing information

WHEN THE Penguin publishing group bought Thomas Brooks in 1985, Francis Bennett, head of the house that included such premier imprints as Michael Joseph and Hamish Hamilton, decided not to stay. "If you've been a group managing director," he says, "it's impossible to work for somebody else."

Besides, Bennett had an idea. From his career in book publishing, he believed there was an unfulfilled need among book buyers. "There's a change in the demands of people who buy books," he says. "They want not just a publishers' catalogue. They want to scan across a whole range of publishers, with a description of contents and in precise subject areas." He saw the greatest need among foreign book buyers, who spend 275m of the UK's £2bn in book sales.

Today, Bennett is on the verge of joining the thousands of hopefuls who have struggled to launch successful electronic databases. With Book Data, an electronic bibliographic service which begins operations early next year, he is also among several traditional publishers in the UK who are attempting to fashion ways of repackaging and reselling their information electronically.

"The arrival of electronic processing into publishing has hyped up the information industry," says David Worlock, a former executive at International Publishers, who in 1983 founded Electronic Publishing Services, a London consultancy. "Investors," he adds, "see a much more tradable commodity."

Indeed, Bennett was able to attract venture capital backing from BBBQ, a joint firm set up by Baring Brothers and Hamblet & Quist. BBBQ's Jeremy Brasington says that the ability, through electronics, to make new types of existing information will lead "more and more to the exploitation of databases in a number of quite mature markets."

Bennett is aiming to have 150,000 titles on his database at its launch. Details on book price and availability will be regularly updated. And, he says, "every item will be a search criterion. If somebody wants to know all the books with chapters on a particular topic, costing between £10 and £15 and published in paperback in the last six months, we can do it."

He says this is possible because the system uses flexible, relational database software.

Thirty-five publishers or publishing groups are already committed to listing their titles on Book Data. The head of one of them calls it "one of the most refreshing ideas to come through British publishing." Brasington says: "There is a gap that's going to be plugged. This gives consid-



Three executives in the database race: David Worlock, Francis Bennett and Michael Tobert

Publishers' wares peddled at a keystroke

erably easier access to data for buyers and gives publishers an increased marketplace for their products."

Bennett says he initially expected the bulk of his customers to be foreign buyers, who would be able to afford it and need to buy books about the availability of new UK books.

To his surprise, domestic interest from major booksellers and the big chains has been much higher than anticipated.

In addition, publishers say they are interested in the database as a way of doing searches on what books are already out on subjects under consideration.

For new titles, Bennett will charge publishers 20p for each listing up to the first 100. After that, prices drop and back-listed titles cost even less. Prices for customers - retailers, library suppliers and foreign book importing companies - are about to be announced. Initially, the database will not be on-line, that is users will not access it directly. Instead, Book Data staff will research subscriber requests.

More experienced in the tricky business is Bennett's neighbour, Michael T. Tobert. In 1982, Tobert founded a publication in St Andrews, Scotland, dealing with the problem of transferring ideas from UK universities into the industrial sector for commercial purposes.

Spurred by government studies supporting the idea of a database, Tobert got involved in developing a product called BEST, for British Expertise in Science and Technology. In

1985, his company, Cartermill, was bought by UK educational publishers Longman and, in 1986, with Tobert now managing director of Longman Cartermill, BEST was launched.

The service lists research in the US, a small percentage account for the lion's share of revenues, according to Martin Brooks, director of information services for the Financial Times Business Information company.

"Very few are money-makers," says Brooks. Pitfalls include a lack of market focus and underestimating the costs and complexity of getting information from those who own it.

Brooks's activities expanded recently when the Financial Times bought from Thorn EMI one of the largest UK databases, Dataserve, Information Online, for £10m.

Still, the electronic database business remains a trick-one.

Tim Rix, chairman and chief executive of Longman Holdings, owner of the BEST project, approached this with a lot of caution. It got off to a slow start but no slower than planned for.

A slow start has plagued most of the several thousand electronic databases estimated to be in operation worldwide. Of the total, most of which are in

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APPOINTMENTS

Gartmore chairman

with Mather and Platt Machinery.

Swire Pacific Limited

Interim dividends for 1987 Scrip Dividends

The average closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days up to and including 16th October 1987 were:

	HKS
'A' shares	26.80
'B' shares	4.81

In a letter to shareholders from the Chairman dated 8th September 1987, it was announced that the directors had declared interim dividends on 26th August 1987 in respect of the year ending 31st August 1987 of 19.0s per 'A' share and 3.8s per 'B' share and that the directors have resolved that, as to 18.0s per 'A' share and 3.6s per 'B' share, these dividends should take the form of scrip dividends to be satisfied by the issue of additional 'A' and additional 'B' shares respectively, but that shareholders should be able to elect to receive these dividends in cash in respect of all or part of their shareholdings, and as to 1.0s per 'A' share and 0.2s per 'B' share these dividends would be paid in cash to ensure that the shares of the Company continue to be Authorised Investments for the purposes of the Trustee Ordinance (Cap. 29, Laws of Hong Kong). It was further announced that entitlements to fractional shares would be disregarded and the benefits thereof would accrue to the Company.

Applying the average closing prices noted above, the number of new shares which shareholders will receive in respect of their existing shares for which elections to receive cash are not deposited with the Registrars in Hong Kong or with the Registrars' Agents in the United Kingdom by 23rd October 1987 will be calculated as follows:

For 'A' shares:	Number of new 'A' shares to be received	Number of 'existing 'A' shares	0.18
For 'B' shares:	Number of new 'B' shares to be received	Number of 'existing 'B' shares	0.036

and will be rounded down to the nearest whole number of new shares, fractional entitlements being disregarded. The new shares will rank pari passu with the existing shares of the Company except that they will not rank for the interim dividends in respect of the year ending 31st December 1987.

Certificates for the new 'A' and 'B' shares in respect of the scrip dividends, together with the dividend warrants in connection with the cash dividends of 1.0s per 'A' share and 0.2s per 'B' share, will be despatched to shareholders on 30th October 1987.

By order of the Board
JOHN SWIRE & SONS (H.K.) LIMITED
Secretary

Hong Kong
19th October 1987

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Mr Andrew Martyr has been appointed an assistant director of STANDARD CHARTERED MERCHANT BANK, responsible for the bank's hotel advisory service. He was a director of London and Metropolitan Project Management.

SIMON ENGINEERING has appointed Mr W.A. Gilluly as chief executive officer of its US subsidiary Geo-Search Corporation, Midland, Texas. He was chief financial officer.

Mr Jack Springfield has been appointed managing director of JARVIS MILTON KEYNES. He was managing director of Harpenden Building Contractors.

TILBURY CONSTRUCTION has appointed Mr Tony Davies as director and general manager of its central building division.

MAJESTIC WINE has appointed non-executive director Mr Frank Berger as vice-chairman and joint chief executive of Majestic Wine Corporation with responsibility for US purchasing. He was president of House of Segovia. Mr Christopher Townsend has been appointed to the board as group finance director. He was finance director of Abaco Investments, and will replace Mr Geoffrey Atkins who has retired. Mr Paul Radcliffe has been appointed group treasurer. He was group treasurer of Mercantile House Holdings.

CROWN FINANCIAL MANAGEMENT has promoted Mr Alan Twigg to the post of appointed chief actuary. Mr Ernest Geltringer becomes company secretary and compliance officer.

Mr Tony Scott will be appointed deputy chief executive of ALFRED MCALPIN and chairman of ALFRED McALPIN MINERALS on October 31.

HAZELTON UK has appointed Dr John Fossman as director, chemical and medical sciences. Dr Fossman was research director at Hoechst Pharmaceuticals (UK).

Mr Michael Hawkins, formerly manager of K.W. Payne Scandnavia, and director and divisional director of E.W. Payne (International) Ltd, is joining the team of WELL MARINE INSURANCE BROKERS.

Professor John Phewes-Williams has been appointed non-executive director of VSEL CONSORTIUM. He is professor of engineering (acoustics) at Cambridge University, and chairman of Topexpress, a company which was acquired by VSEL last August.

Dr Kevin Groves has been appointed managing director of WEIR MATERIAL SERVICES, a new company set up by the Weir Group to market duplex stainless steel Zeron 100. He was last August.

Following the management buy-out at DON REYNOLDS, Mr Doug Reynolds heads the group with Mr John Macrae, previously a main board director at Alfred Bagwell & Sons, the new VSEL financial director.

FINANCIAL SERVICES

James Buxton interviews the head of a financial enterprise

The special case for Scotland



"ONE OF the flaws in the Scottish character is this expectation that we will be treated specially," says Professor Jack Shaw. "We enjoy a degree of special treatment. I argue that we need a degree of special treatment - but not to the extent that people expect."

To manage a Scottish presence group and yet oppose many forms of special treatment for Scotland requires unusual gifts of self-denial or canniness. Prof Shaw, who runs Scottish Financial Enterprise, an organisation formed last year to promote Scotland's financial services industry, has an original combination of views.

He is an accountant by profession, and moved to SFE from being senior Scottish partner of Deloitte, Haskins and Sells. He has also been part-time professor of accountancy at Glasgow University. He has swapped the academic rewards of a lecturing career for the less structured life of lobbying, making speeches, organising events and trying to sell the concept of Scotland as a financial centre.

SFE was born out of anxieties that Scotland's financial institutions - its banks, fund managers, life assurance companies and others - were too little known outside and even inside Scotland and risked being squeezed off the map in the wake of Big Bang.

Since then, however, Scotland - particularly its fund managers - has actually benefited from its detachment from the post-Big Bang City of London. Some £200m of funds is under management in Scotland and, thanks in part to SFE, its financial services industry is better known outside Scotland.

Yet in trying to promote Scotland, Prof Shaw has had to face the obstacle that it is not perceived as being a significant part of Britain. Its significance, he thinks, is undermined by the concentration of decision-making talent and wealth in the south-east of England.

The issue was starkly brought home to Scotland last year by the takeover of Distillers - Scotland's biggest company - by Guinness.

Although Mr Ernest Sampson, then chairman of Guinness, promised during the takeover battle to move its headquarters to Scotland, he soon backtracked and Guinness confirmed recently that it was to remain in London. But that set Scots debating how to persuade companies to move their headquarters to Scotland, and how to retain existing Scottish companies.

Jack Shaw: Scottish companies are growing

Earlier this year Prof Shaw briefly floated the idea of trying to persuade companies to move than I have ever noticed before."

He mentions companies such as Dawson International, the textile company, Christian Salvesen, Kwik-Fit and Weir Group.

Even so, such companies are vulnerable to takeover. But he wants something more than special protection: he would like government to take dramatic measures to reverse the centralising tendencies in Britain, which he fears might eventually see Scotland as a zone of gravitational pull, drawn further and further. It would accelerate the migration from Scotland of corporate decision-taking."

But wouldn't a Scottish Assembly stimulate the return of expatriate Scots who have been forced to seek their fortunes elsewhere?

"To do what in Scotland? They are where they are, in London or Paris or wherever, to feel that they are playing on a big pitch. If we had an Assembly they would just say: 'Don't worry me, here you've got your ball, go and play on the back pitch.'

"If the Department of Energy was headquartered in Scotland (say at Aberdeen) the oil majors in the UK and the oil majors in

internationally would know where Scotland was, would be in Scotland frequently, and by being here would understand some of the difficulties. They might even relocate in Scotland themselves."

At the moment, he says, people go to them, they do not come here. "The shuttle is used more for taking senior Scottish business men out of Scotland than to bring senior business people from the south into Scotland."

But surely if it is difficult to get a company to move its headquarters here is not it even more difficult - even Utopian - to expect the Government to move part of its own headquarters?

"I don't agree with that. It's difficult to get businesses to move because of their commitment to commercial criteria. Government has to consider non-commercial criteria."

This point is true, he says, an official of SFE and he has not yet formulated a firm proposal. "But if we can't find some means in the course of the next four years of exploiting this Government's strengths, we are going to have a very hard row to hoe. The flywheel is spinning so fast in one direction that we need a lot of help to make it stop."

But wouldn't the idea of a Scottish Assembly, now espoused by the Labour Party and widely supported elsewhere, give Scotland decentralised administration?

"The trouble with a Scottish Assembly is that you don't actually add to your significance that way," says Prof Shaw. "It would actually reduce our significance as viewed from London. UK ministries don't always pay a lot of attention to Scottish issues even when they have direct responsibility for them, because they are well served by Scottish Offices. Devolution would simply take that a step further. It would accelerate the migration from Scotland of corporate decision-taking."

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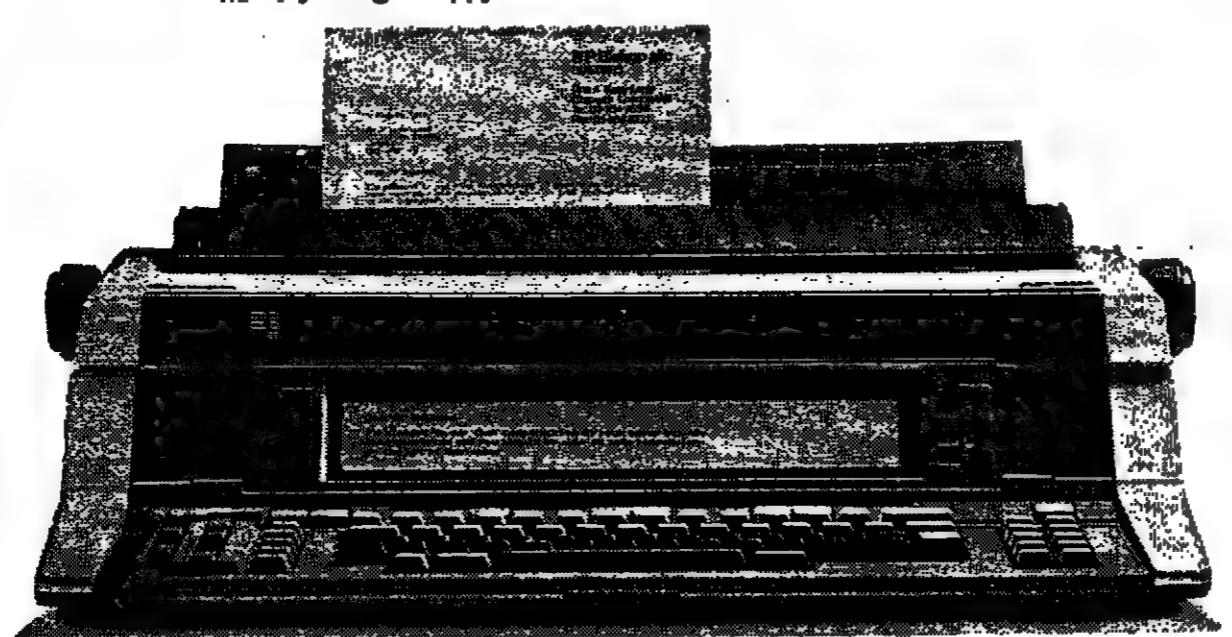
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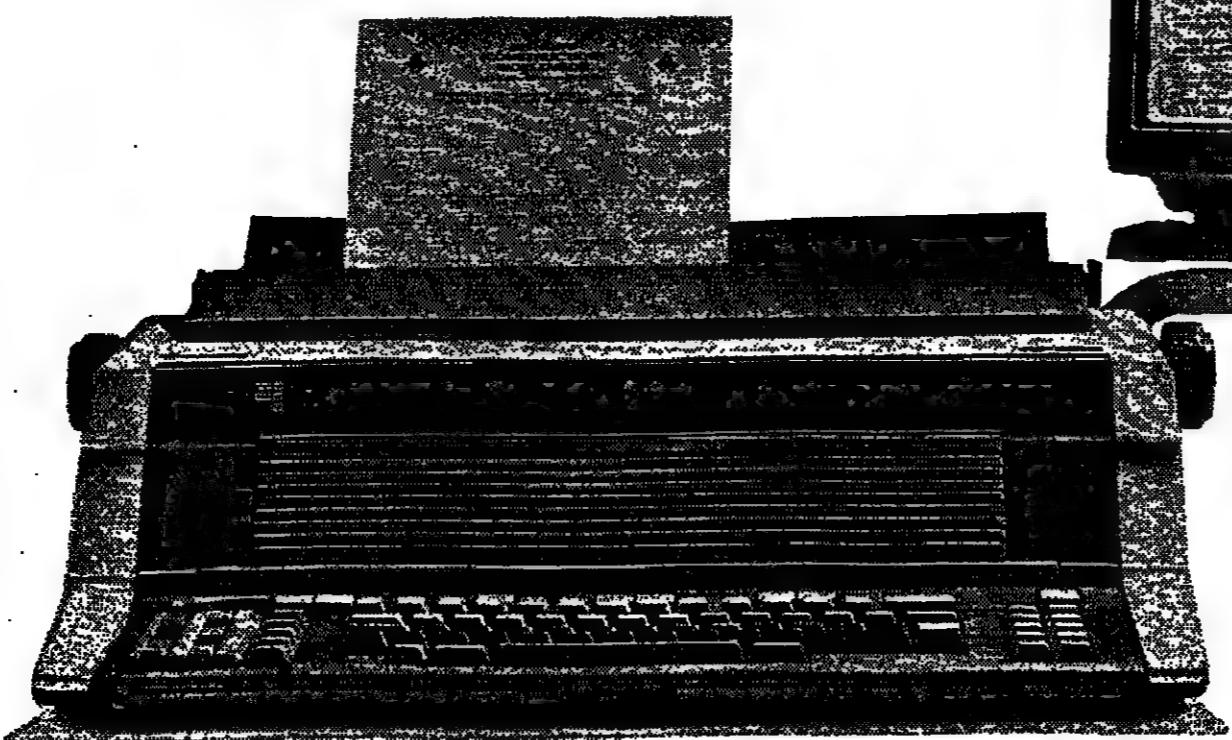
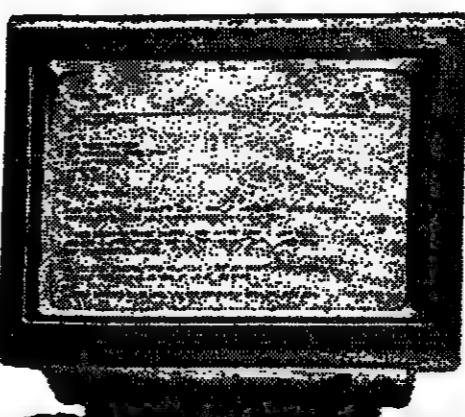


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OVERSEAS NEWS

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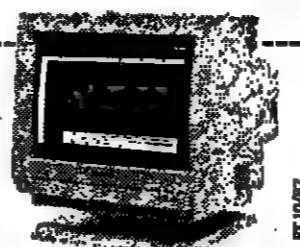
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Malta moves to attract more foreign investment

MALTA is opening its doors wider to foreign investors in an attempt by the new Government of Dr Eddie Fenech Adami to stimulate the growth of service-orientated industries.

The Government has devised a plan which will be put into effect next year to market Malta's potential as a site for foreign funds and to promote its relative advantages over other Mediterranean islands such as Gibraltar and Cyprus.

International banks, insurance firms, trading outfits, trust holders, company and ship owners have been targeted as ideal suitors for Malta's upcoming role as an offshore base, situated halfway between Europe and Africa.

Twenty of the world's top accountancy firms and banks, including Chase Manhattan, Morgan Grenfell, Leardi Frères, Hill Samuel, Phillips & Drew, Peat Marwick and Price Waterhouse, are competing to be appointed consultants. Each will try to identify investments most suitable for Malta.

The company submitting the most convincing proposals will advise a broad-based public and private sector committee, headed by Dr Joseph Fenech, the Parliamentary Secretary who has argued strongly for the encouragement of foreign investment.

"I am more than ever convinced now we are on the right track. When we were still on the opposition benches, I used to be laughed at everytime I mentioned offshore services as an unexpired source of considerable income."

"Now I am certain this can substantially bolster our economy," enthuses Dr Fenech, a lawyer by profession with some personal experience in offshore dealings.

The development of Malta as an offshore base optimises Premier Fenech Adami's preference for a healthier mix of services and manufacturing industries.

His ruling Nationalist Party is committed to giving the island a greater appetite for projects which are more suited to Malta than bulky industrial schemes, such as shipbuilding or foundries.

Malta's chances of making a successful debut in the complicated and competitive world of offshore dealings seem, at a glance, encouraging.



Godfrey Grima in Valletta reports on how Malta seeks international advice in an attempt to exploit its location between Europe and Africa as a suitable site for foreign investment.

The basic structure required is already there and functions. Malta's high standard of education has created a fine crop of bank, insurance and business executives, not to mention lawyers, for foreign companies to draw on.

These views are shared by Labour Party spokesman on offshore, Mr Lino Spiteri, a former minister for economic planning.

"If you look out the window of black money, which is what we want, and then realise time-bridging advantages no longer exist, we might be ruling out a fast track of banks."

The registration of shipping already exists offering certain fiscal advantages, although I agree this should be better marketed. That leaves us with trusts, insurance and trading. With the first two, there shouldn't be any major problem, particularly if we manage to attract captive insurance.

"With offshore trading, we must be careful. We would not want to face a situation where offshore trading companies are offered privileges not available to our own importers. That would create discrimination and social tension," argues Mr Spiteri.

Premier Fenech Adami's administration is keen to advertise offshore operations as something that will remain a permanent feature of the Maltese economy - whatever government is in power.

Notes Dr Fenech: "Consistency is essential. People must be assured this scheme is outside the realm of party politics. Without that assurance, Malta's image runs the risk of being damaged and social tension," argues Mr Spiteri.

The Government is treading cautiously. Instead of fashioning its project on existing models, Malta is trying to draw on the experience of other countries. Certainly not welcome, for example, are cross-plant companies and fly-by-night operators. "We shall not impose restrictions on the number of companies registering here. We want everyone to generate into a three-day wonder."

UK NEWS

Britain will stay outside Unesco for at least a year

By PETER RIDDELL, POLITICAL EDITOR

THE BRITISH Government intends to stay outside the United Nations Educational, Scientific and Cultural Organisation for the foreseeable future and will not review its position for at least a year.

The UK announced its withdrawal from Unesco two years ago, following a similar decision by the US, because of their objections to the policies and management of Mr Amadou M'Bow, its director-general for the past 13 years.

After a bitter electoral battle over the weekend Mr M'Bow dropped out of the final round of voting by Unesco's executive board, allowing Mr Frederico Mayor from Spain to be nominated.

Overtime ban costs coal mines £2.8m

By Our Labour Staff

BRITISH COAL lost about 70,000 tonnes of production last week, worth about £2.8m, as a result of the fourth week of the National Union of Mineworkers' ban on overtime coal production.

Last week's loss was slightly down on the previous week, in which the corporation lost output worth about £2.5m. The cumulative loss from the action, which entered its fifth week yesterday, has reached £15m.

NUM members involved in the ban lost about £1m in overtime earnings last week, bringing the total loss since the start of the ban to £5m.

The NUM started the ban over the corporation's unwillingness to amend its revised disciplinary code to allow for binding arbitration as the final court of appeal, British Coal insists that an appeal against trade discrimination had been heard by an industrial tribunal.

The corporation gave warning that continued action would lead to job losses although the extent of redundancies would only be determined after an assessment of the full impact of the action.

The corporation is preparing its 1987 pay award to the rival Union of Democratic Mineworkers, which is likely to be imposed on the NUM. Under the two-year deal agreed with the UDM last year the corporation said it would raise basic wages in line with the rate of inflation.

Schemes for jobless face major overhaul

By CHARLES LEADBEATER, LABOUR STAFF

THE 10-STRONG policymaking commission of the Manpower Services Commission will today consider proposals which could pave the way for the most far-reaching overhaul in government provision for the adult unemployed since the rise in unemployment in the late 1970s.

The commission will consider a paper drawn up by a working party of MSC officials which excludes from the consideration of programmes for the adult unemployed should be reorganised in the light of commitments the Government made in its election manifesto.

It is widely accepted that the review will next year produce an entirely revamped set of measures for the unemployed to replace the Community Programme, which provides temporary work for the long-term unemployed, the Job Training Scheme, which provides a mix of work experience and training and possibly the Enterprise Allowance scheme which encourages the unemployed to start their own businesses.

It is widely accepted that the Government will only be able to fulfil its guarantee that every person unemployed for between six and 12 months, between the ages of 18 and 25, will be offered a place on JTS, if the scheme is merged with the Community Programme.

Officials at the MSC and the Department of Employment ad-

ditional and cultural projects, such as financing overseas students in Britain.

Fundamental reform of Unesco has been strongly urged by Mr Tim Eggar, the Foreign Office Minister with responsibility in this area, and the nomination of Mr Mayor is seen in London as a belated step in this direction.

Given the caution of Foreign Office ministers about any early re-entry into Unesco, there is unlikely to be pressure from anywhere else in the British Government for such a move.

Withdrawal was supported at the time by the majority of Conservative MPs, although it was opposed by a number with overseas aid interests and by Le-

ague.

Vauxhall strike set to continue as talks fail

By Charles Leadbeater

THE STRIKE by 3,500 manual workers at Vauxhall Motors' car plant at Luton is set to continue after talks aimed at resolving the dispute, over the recalculations of productivity bonus payments, broke down yesterday.

Both sides took a firm line after the talks involving national officials of the AEU, the engineering union, and the General Workers Union and the Electricians Union (GEPUTU), and the company's industrial relations executives.

The company reiterated its offer, made by union officials at the start of the dispute, that the dispute should be referred to a joint committee of the Joint Negotiating Committee, the national forum for collective bargaining.

But it said it would reflect on yesterday's meeting before making any further moves in the dispute. It has already sent the workers two letters outlining its case, and some union officials believe the company may be considering legal action.

Union officials regard the dispute as potentially serious because Vauxhall Motors' financial and market position is not as strong as that of Ford, its main competitor. While stocks of the Cavalier cars made at Luton are healthy, it is thought the company may soon find it difficult to offer dealers a full range of choice.

The dispute follows the separation in August of the van and car plants at Luton. Productivity bonuses had been calculated on a measure of the average productivity of both plants.

The unions argue that on the basis of the established thresholds for triggering payment of bonuses, workers at the car plant, which is much more efficient than the van plant, are owed about £10 a week extra. The company says this would add about £20 per car to labour costs.

The company says the thresholds for triggering productivity bonuses should be recalculated. But in the interim it wants to continue with the old system by including notional figures for the productivity of the van plant. The unions are also objecting, however, that the company breached national agreements with the unions by introducing the notional figures without consultation.

It is likely that production at the company's Merseyside plant will be disrupted if the strike continues until the end of the week.

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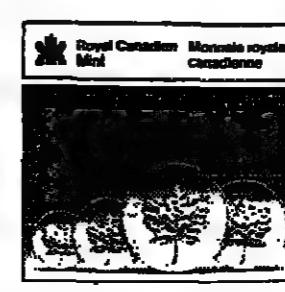
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UK NEWS

Britain begins counting the damage costs

BY ANDREW TAYLOR AND RALPH ATKINS

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LOCAL AUTHORITIES and businesses across southern and eastern Britain yesterday were counting the cost of the hurricane winds that caused millions of pounds of damage on Friday.

Some councils have already asked the Government for financial assistance to meet the cost of repairing damage. Many others are likely to follow. They are particularly concerned that extra spending should not be penalised by cuts in central government grants.

Lloyd's of London insurance market council yesterday donated £100,000 to a trust established to restore parts of Britain's national heritage, including Kew Gardens.

Last night 180,000 homes in the south-east were still without electricity. Electricity boards warned that some remote houses might not be reconnected until next week.

Train services were returning to normal but some commuters experienced delays. British

Rail Southern Region said it ran 94 per cent of its scheduled trains during the morning peak period but there were "considerable delays" because of blocked or slippery tracks.

In Wales fresh floods continued to strain emergency services and disrupt industry. In South Wales nearly 3,000 customers were without electricity for parts of the day but by last night almost all had been reconnected.

Sheppway District Council, which looks after 4,500 council homes along the Kent coast between Folkestone and Dungeness, said it was still assessing the cost of the damage. It would almost certainly run into hundreds of thousands of pounds and possibly millions.

Local councillors in Folkestone said one in three homes had been damaged by winds of up to 100 mph.

A roof of a swimming pool, recently replaced at a cost of about £50,000, had collapsed at

Hythe. Brighton district council in Sussex, which, unlike Sheppway, had not insured local authority homes against storm damage, said its bill for damages would run into millions of pounds.

The council, which has been rate-capped this year, said it lacked the resources to cope with the devastation that has left 60 households homeless and damaged 4,500 of the council's 10,000 homes. A two-storey block of council flats lost its roof.

Twenty-two high-rise blocks were being examined by the council to see if any structural damage had been caused.

Local authority officials were also considering the extent of the damage caused to the famous Brighton Pavilion, where a minaret was dislodged by falling scaffolding and crashed through the floor of the music room, which had just been restored after a fire.

Mr Steve Bassam, leader of

the Labour-controlled council, said: "It would be ironic if the council were to lose even more government grant by spending on this emergency. No local authority should have to foot the bill for what is effectively a national disaster. The Government must come up with the cash now."

East Sussex County Council said 300 council buildings, including 60 schools, had been damaged. Tideway secondary school at Newhaven would have to be almost completely rebuilt.

The Labour-controlled Association of London Authorities estimated that damage in the capital would run into tens of millions of pounds. It asked Mr Nicholas Ridley, Environment Secretary, to provide urgent financial assistance to London authorities.

The Conservative-controlled Association of District Councils said it would be asking members to provide information on how much they had suffered before putting in a final claim to government for financial assistance.

Across the country, storm damage continued to cause congestion on main roads. Kent was worst affected, with flooding, debris and fallen trees proving hazardous for motorists. Traffic jams were reported in Essex and minor roads remained closed in Surrey and Hampshire.

The Post Office said last night it was employing extra staff and had almost cleared the backlog of mail built up on Friday. However, it was expecting delays in Wales because of the floods.

The Stock Exchange reported that its computer systems were running normally although some dealing houses were experiencing technical problems.

In west Wales rescue efforts were hampered by severe breakdowns of telephone communications. At one stage the exchange in Carmarthen was under 6 ft of water.

MacLennan increases pressure on Owenites

By Michael Cusack
Political Correspondent

MR ROBERT MACLENNAN, SDP leader, last night stepped up the pressure on the Owenite faction in his party to halt what he sees as an increasingly blatant anti-merger campaign being waged to undermine the current negotiations with the Liberals.

Mr MacLennan's remarks echo mounting anger over perceived attempts by the anti-merger camp to party to fight to preserve the Social Democrats as a separate political entity.

Mr MacLennan told a meeting of the SDP's national committee that it appeared the Owenite Campaign for Social Democracy, which has set up its own headquarters in central London, was about as free-standing as Mr David Hatton's Militant Tendency.

Mr MacLennan said it had been suggested to him that some party members opposed to the decision to negotiate a merger were acting in a way which, in other circumstances, would provide a prime facie case for censure and expulsion.

He said he would not support any such moves but he appealed to all party members to remain in the party in spite of daily urged members of the national committee to act "with a sense of honour". If they did not, they would face censure by the party membership which would prove far more severe than any hand-edged down by a divided leadership.

Dr David Owen, the former SDP leader, did not speak at yesterday's national committee meeting, which called on the CSD to give several assurances about its conduct while merger talks continue.

Mrs Shirley Williams, the SDP president, said afterwards the leadership remained dissatisfied on some counts and expected the CSD to meet and consider the national committee's requests.

She called on Dr Owen to wind up that part of his campaign directly addressed to overturning the outcome of the merger ballot or he should consider whether the honourable amendment would be resign.

Mrs Williams added: "We remain very concerned about the issue of how the new party is being created. We have been told that it is not the case and we are seeking assurances on certain points." She said caution and expunction could not be ruled out.

HK newspaper refused appeal on Spycatcher

THE SOUTH CHINA Sunday Morning Post, the Hong Kong daily newspaper, was yesterday refused a special leave to appeal to the Privy Council in London against a temporary injunction banning publication of extracts from Spycatcher, the memoirs of Mr Peter Wright, the former MI6 officer.

However, the Privy Council judicial committee said steps should be taken for a speedy trial of the issue in Hong Kong.

The Post bought the serialisation rights to the spy book from Heinemann, Mr Wright's Australian publishers, and printed the first chapter in August.

The Attorney-General obtained a temporary injunction which was lifted by the High Court. But last month, the Hong Kong Court of Appeal rejected the injunction until the full issue had been determined at trial.

Accountants in short supply

By Richard Waters
FINANCIAL REFORMS in local government, the health service and education are a risk because there are not enough accountants to oversee them, the Chartered Institute of Public Finance and Accountancy said yesterday.

The institute, which trains local government accountants, announced a temporary development scheme saying it needs to attract 500 recruits a year - 40 per cent more than at present.

Mr Noel Haynes, Cipa director, said demand was particularly strong from the health service, which could see 300 400 vacancies created by financial management reforms.

The shortage was exacerbated by demand for accountants from further education colleges and urban development corporations.

'Threats' to West End studied

BY RALPH ATKINS

THE PROSPERITY of London's West End could be threatened by out-of-town shopping developments, for workers and tourists, and severe traffic congestion.

That warning comes in a report published yesterday by Westminster Chamber of Commerce. It sets out how the borough's shops, offices, hotels and tourist industry could be developed by the year 2000.

Several issues, it says, need to be addressed "with the utmost urgency" if the area is to take advantage of future opportunities.

Potential growth areas include tourism, spin-offs from a growing international financial market in the neighbouring City of London and benefits from improved links with Europe after the completion of the Channel Tunnel.

Westminster borough has a workforce of 475,000 and a daytime population of up to 1.1m. The report says it is the centre of Britain's tourist industry and of many international and national businesses.

The authors, however, included representatives of leading employers in the area, say there are threats that challenge this supremacy.

Out-of-town shopping centres increasingly provide a safer and more attractive environment for shoppers. They have better facilities and more space for parking.

Higher rates will follow the introduction of the Government's uniform business rate system from 1990. That might increase the amount paid by companies to the local authority by more than 30 per cent, driving them to cheaper areas.

Welsh TV alters purchasing

BY ANTHONY MORWEN, WELSH CORRESPONDENT

SAC, THE Welsh television channel, is to change the way it buys programmes of up to 25 hours a week.

Mr Owen Edwards, director of SAC, said in Cardiff the changed system should mean better use of the channel's money and better quality programmes.

Under the present system SAC - Sianel 4 Cymru, or Channel 4 Wales - receives 10 hours a week from the BBC which is funded out of the corporation's licence fee income.

It then spends £24m a year on nine hours a week under long-term contract from HTV, the commercial station whose franchise covers Wales and the West of England, and five hours from independent producers. The remaining hour covers recycled programmes.

From 1990, SAC intends to

by far the largest natural disaster to affect the UK and impinge on insurance costs. He expects to have a clear estimate of the costs by next week.

Sun Alliance has already paid out £74m this year on adverse weather claims for January's snowstorms and the March floods.

The payment for last week's damage is likely to be much higher.

Royal Insurance is not expec-

ted to fare much better. Its reinsurance arrangements are complicated, but it is believed that it will have to meet most of its correspondingly high claims bill.

The other leading composites will be less affected because their involvement in the UK house buildings insurance market is lower and they have reinsurance arrangements.

General Accident, meets the

Private sector 'must take inner city lead'

BY ALAN PRICE, SOCIAL AFFAIRS CORRESPONDENT

THE PRIVATE sector was yesterday urged to take a lead in helping to overcome unemployment difficulties in the inner cities by Mr Norman Fowler, Employment Secretary.

Mr Fowler, speaking at a Business in the Community Forum, said there were two main priorities - doing everything possible to provide employment opportunities, and offering good training to young people.

The adult industry had a crucial role to play in achieving both objectives.

The improvement in the employment position is real enough. Extra jobs have been created - more than 370,000 in the last 12 months alone - and the outlook is encouraging. But what we need to ensure is that the inner cities are not left behind. Our aim must be to see that all parts of the country share in the recovery and the success.

Mr Fowler emphasised the need to ensure that jobs created in the inner cities went to people who lived there.

The Government was, he said, determined to target the Enterprise Allowance Scheme and the Small Firms Loan Guarantee Scheme so they gave more help to people in the inner cities. The JobCentre service, which is returning to direct Department of Employment control from the Manpower Service, must also be made accessible to inner-city residents.

"We already have designated inner-city officers whose job it is to make sure that people in the ethnic minorities know what jobs and support schemes are available to them. We must build on this."

It was vitally important that inner-city residents had access to the training schemes now available to them, and the role of the private sector was vital.

"Our inner-city sector can produce the range and depth of relevant training provision to give individuals the skills to compete in the labour market."

Region development chief resigns after five months

BY IAN HAMILTON FAHEY, NORTHERN CORRESPONDENT

MR MARTIN EASTEAL, chief executive of the Northern Development Company, yesterday resigned unexpectedly after only five months in the post because his family has been unable to settle in the north.

The decision is believed to be seen as an embarrassment because Mr Easteal's job was to promote the north for inward investment by British and foreign companies. Quality of life in the area is one of the NDC's main selling points.

The Easteal had been living temporarily in Wallsend, Newcastle, while house-hunting.

Mr Easteal, 39, led the official

launch of the NDC last month with a forceful presentation of the region's assets.

He would make no comment at his home in Harlow New Town yesterday on his reasons for leaving. However, Mr Reay Atkinson, chairman of NDC, said: "He is a nice fool who doesn't put his family on the road least equal with other things."

Mr Atkinson will stand in as chief executive of the NDC, which has wide support from government, local authorities and the private sector acting as an industrial development agency for the north-east and Cumbria.

The NDC yesterday announced plans to tighten controls on the use of opinion polls after criticism of its election night forecast in June, which predicted a Conservative majority of 24. The actual margin was 101.

The corporation said its broadcasting research department would be involved at an early stage in the commissioning of future polls, and guidelines on interpretation would be drawn up for news and current affairs staff.

The announcement follows an internal inquiry into the election night embarrassment by Mr Peter Ibbitson, deputy director

of television programmes, and a separate report by Mr Martin Collins, editor of the City University business journal.

Mr Collins says in his report election forecasting based on polls is prone to a wide range of errors, and concludes that the corporation's difficulties arose largely from bad luck.

"Almost everything that could go wrong did go wrong, not by much, but by enough to create overall a great deal of embarrassment," he says.

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Mr David Wightman, of the PA Consulting Group, said information technology could be used to help an organisation stand. It could be used directly to create products and services to keep out the opposition, or it could be used indirectly through marketing support.

Merrill Lynch, he said, had developed and was beginning to implement a workflow management system forecast to save 10m sheets of paper, 1m telephone calls and a great deal of time.

Mr Pascal Ardis, speaking on behalf of Mr Denis Emond of the videotext department of Credit Commercial de France, provided another example. CCF was, he said, the world leader in home banking.

Its provisions included a "contact" service which allowed an electronic dialogue between the bank and people who were not yet customers. "Without a contact, a customer can code, the user writes an electronic letter" stating his interests and the service transmits it automatically to the branch nearest his home.

The speakers agreed commercial computer software for banking was still far from adequate. Mr Randolph Bauer of Commerzbank said cash management software the bank had brought from the US had proved more suited to the US than the West German banking environment and had required considerable modification.

Mr Patrick Hayward of Interne Systems, a leading banking software supplier, argued that new computing methods had made the job of integrating customer account files much easier. When more than 2m customer accounts were involved, the cost of the computer hardware became an important consideration.

Mr Matthew Orr, director of sales and trading for Debenham Investment and Mr Paul Coombes of McKinsey & Company also spoke at the conference which closed today.

Mr Peter Lamb, general manager of Leeds Permanent Building Society, said that although change should be initiated by market forces and consumer demand, in practice technology frequently took the leading role. He cited automated teller machines as an example.

Although few, if any, financial institutions are doing more than breaking even on their ATM networks, none can afford to be without them. Mergers and reciprocal agreements made the picture very complex.

The Matrix network, which with Link is one of the two

largest networks in the UK, is expected to complete the job in four years. If we should not make this effort, we anticipate that our competitive position will be at risk in the future while its realisation will give us a substantial

UK NEWS

Retail sales decline but trend continues upward

BY RALPH ATKINS AND DAVID CHURCHILL

BRITAIN'S RETAIL sales fell in September, but the long-run trend still shows a continuing strong upswing, according to official figures published yesterday.

The Trade and Industry Department said its seasonally-adjusted index of retail sales volume fell by a provisional 0.5 per cent in the month. This follows a near-1 per cent rise to a record level in August.

The fall took independent economists by surprise as most had expected another increase. However, the fall is expected to be reversed this month, mainly because incomes are continuing to rise faster than inflation.

Mr Kevin Gardiner, UK economist at Warburg Securities, said: "It doesn't mean the consumer boom is over and done with. It should be seen as a time of consolidation."

Brickmaker seeks purchaser

By Andrew Taylor

GEORGE ARMITAGE & Sons, one of Britain's oldest family-owned brick manufacturers, producing about 16 per cent of UK specialist engineering bricks, is seeking a purchaser.

The company, formed in 1824 and based in Wakefield, West Yorkshire, earned pre-tax profits of £2.2m on sales of £15m in the 12 months to end-June.

Mr Christopher Armitage, chairman, said yesterday the number of family shareholders over the years had risen to 130. Family members who wanted to sell their shares had been hampered by the listed status of the stock.

The company had decided it would be better off as part of a larger group which would enable it to expand. It would also make it less vulnerable to aggressive pricing and marketing policies of larger rivals.

It has sent details of the company to a number of prospective purchasers.

The company intends to prepare a shortlist of potential purchasers which have been asked to submit preliminary offers by November 23. Samuel Montagu, Armitage's financial adviser, is organising the sale.

Revenue abused its powers, court told

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

J. ROTHSCHILD HOLDINGS, the financial services group, yesterday accused the Inland Revenue of abusing its powers and acting unfairly in requiring Rothschild to pay £1.49m stamp duty on a merger transaction.

In the High Court, Mr Stanley Brodie, QC, for Rothschild, said that under an established and published Revenue practice, the transaction was exempt from capital duty.

The Revenue opposed Rothschild's application for an order that the assessment was void, arguing that the practice asserted by Rothschild had never existed.

The dispute relates to the agreed merger in 1983 of The Charterhouse Group and RIT and Northern J. Rothschild Holdings, under its former name of Charterhouse J. Rothschild, was formed to acquire the RITN shares on a share exchange basis.

In January 1985, the Revenue made a £1.49m stamp duty assessment on Rothschild, representing 1 per cent of £149m, the value of certain RITN shares acquired by Rothschild.

Mr Brodie said Rothschild had followed to the letter an established practice, which the company alleged had been con-

firmed on the telephone by the Revenue's stamp office before the merger transaction was initiated, under which it was entitled to exemption from duty.

Nevertheless, Mr Brodie said, the Revenue had assessed the relevant return of allotment of shares for duty and had "acted unfairly and abused their powers".

The Revenue granted exemption in respect of one share allotment but assessed stamp duty on another.

Rothschild had argued that the established practice had been to aggregate share allotments recorded on a single form to ascertain the size of the interest in the target company acquired for the purposes of capital duty relief. The relevant transaction, Rothschild contended, was the entirety of the takeover.

The Revenue argued that each allotment was a separate transaction.

Rothschild is appealing against the assessment and seeking a judicial review of the Revenue's decision and of the Revenue's refusal to include in its stated case Rothschild's evidence and submissions with regard to the alleged practice.

The hearing continues today.

NatWest to computerise for small businesses

By Charles Batchelor

NATIONAL WESTMINSTER BANK is to launch an electronic banking service for its small business customers. They will be able to call up information on their bank balances and transmit messages to their bank manager outside normal banking hours.

NatWest claims this is the first electronic service of its kind to be tailored to small business customers, although other banks and building societies have launched similar services for personal and business clients.

Bankline, as the service will be called, is intended for companies with between 10 and 500 employees, with fees between £100,000 and £2m. It will be launched next month in the Oxford, Bedford and Reading areas and may become nationwide.

The software for Bankline has been written for IBM or IBM-compatible personal computers and the bank believes the new service will appeal to the 12 to 13 per cent of its 300,000 small business customers who already use this type of computer.

Bankline consists of a three-stage service. The first stage, which costs £29 to install plus £25 a month, allows customers to call up account information, send messages to their bank and make transfers between their own accounts.

The service is available between 7am on Monday and 10pm on Saturday, although the account information service starts for updating between midnight and 8am.

The second stage, costing £28, contains software programme, the Psion PC4, which gives spread-sheets, word processing, databases and graphics facilities.

The third stage is an accounting package, Multisoft, which allows the businessman to reconcile his own books with his bank account and which costs about £3,500.

Mr Keith Ferguson, research and development manager of NatWest's automated business services division, said the system had been developed after a study of small businesses' use of personal computers. The most common uses to which they were put were word processing, payroll, stock control, book-keeping and financial forecasting.

Focus shifts for aid to jobless

Charles Leadbeater reports on an MSC paper examining ways the Government's pledges to the unemployed can be met

THE MANPOWER SERVICES COMMISSION will today consider a paper that presages the most significant change in government provision for the adult unemployed since the rise in unemployment in 1973.

The paper examines how the MSC could implement a series of pledges the Government made during the election campaign.

One commitment was a guarantee that 18 to 25-year-olds unemployed for between six months and a year will be offered a place on the Job Training Scheme or in a Job Club.

That group is no longer eligible for a place on the Community Programme, the main scheme for the long-term unemployed, which will be redirected to offer work for the older unemployed who have been out of work for more than two years.

The change, in turn, will involve altering the method of payment for participants on the programme, from an allowance linked to the rate for the job in the local labour market, to payment on the basis of their benefit entitlements, plus a premium for experience.

In addition the programme, which mainly offers part-time work, should offer more full-time places, including much more intensive training.

Taken together, this apparently unconnected list of commitments will amount to a complete overhaul of provision for the unemployed. The transformation of the Youth Opportunities Programme into the Youth Training Scheme, marked a recognition that training provision for the 16-18 year-old age group was to become a more coherent, permanent part of the labour market.

The changes, which will be set in train by the commission today, might mark a similar de-

velopment in provision for the adult unemployed. It is likely that by the end of next year the adult unemployed will be offered places on an entirely different kind of programme from the schemes established in the last few years. But can this revision meet the Government's ob-

jectives? It is already clear that one of the Government's election manifesto guarantees will not be met. The Job Training Scheme, launched nationally in April with the aim of providing 110,000 places, is only offering about 19,000 places.

That means the MSC and the Government have to find a way of implementing their guarantee for the 18-25 year-olds who are no longer eligible for the Community Programme, but who cannot get a place on JTS. The most likely solution is that the two schemes will be merged so that JTS becomes a branch of the Community Programme.

Senior officials at the MSC want to offer more coherent programmes for the unemployed, such as YTS training, which combines different types of training within a unitary scheme.

The most likely outcome is that the Community Programme will be replaced by a new scheme, which will provide the backbone for provision for the unemployed. That is essential if the wage bill is to be kept within Government guidelines.

If that seems relatively straightforward most of the older changes the Government wants are not.

Paying participants on a benefits-plus basis is intended to

make the schemes more attractive to older people whose benefits are usually lower than those of the average £57 a week Community Programme allowance. Voluntary organisations suggest that lowering the payments to younger people will make it far less attractive.

While the unions may not be an insurmountable barrier to the changes, voluntary organisations and local authorities could be.

The voluntary sector has effectively used the Community Programme to carry out work on a wide range of social services which the state will not fund directly. Most are not equipped to provide extensive training, even if that is mainly home learning or flexible learning at work.

There is widespread suspicion in the voluntary sector that the move towards benefits-plus payments presses the introduction of a British welfare system in which benefits are paid on condition that people take part in training programmes.

They argue that that would be the only way the Government could make the scheme less attractive for a lot of people but maintain the number of participants. Most see this as an unacceptable form of compulsion.

The opposition of voluntary organisations and local authorities might be a significant constraint on the plan, for they provide the majority of places on the Community Programme.

Unless the Government can swiftly find a new group of organisations to provide places it will have to listen to their criticisms.

Counsel for Pilkington auditor's inquiry

BY RICHARD WATERMAN

AN INQUIRY into the way Coopers & Lybrand, Pilkington's auditor, handled it to fight off a raid from BT this year has been disclosed while Cooper's call in a leading counsel - rare move in a professional disciplinary hearing.

The hearing, which was due to be heard by the Institute of Chartered Accountants in England and Wales' disciplinary committee today, has been postponed until December 15 while

Coopers prepares its defence and briefs its counsel, whom it declined to name. The institute has called in counsel as well.

The unusual move reflects the seriousness of the case to Cooper's. The institute has noted the fact that it has been made public. Disciplinary cases are normally handled behind closed doors by the accountants, with defendants' names often not published, even if they lose their case.

The hearing follows a complaint from Sir Owen Green, the BT chairman and himself a chartered accountant, about an attack on the company's accounts prepared by Cooper's.

Green, who has complained to weaknesses in BT's profit and cash-flow record, contained substantial inaccuracies, was misleading and in our view fell far short of the professional standards which we would have expected of any reputable firm.

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UK NEWS

Hazel Duffy shows how a new grant will fight city dereliction

Short-cut route to urban renewal

URBAN REGENERATION grant is the Government's latest weapon in its attack on inner-city dereliction.

The grant's main advantage over other Department of the Environment grants - apart from the ease with which it can be shortened, however uncontrollably - is that it is awarded straight to developers on sites of at least 22 acres. By that measure, it is hoped that it will help to speed up regeneration by encouraging private investment in fairly large developments.

URG has already come in for criticism from the developers and contractors - the very people the Government wants to encourage. They object to the time that it is taking to appraise the applications.

The DoE hopes that after the official announcement of the first grant yesterday, others will follow quickly. The grant was launched officially last spring, but the Government had given notice of its intention several months earlier. The only indication of the long-term value of application and valuation is that the assessors are handling a new grant which necessarily involves a learning curve.

The Dudley project is fairly straightforward. The application was from a single developer - one of the companies in the property group owned by the Richardson brothers. The project is for the construction of high-quality industrial units to be built on 26 acres. Before

THE GOVERNMENT'S first urban regeneration grant will be £25m for a West Midlands project, supporting a £17.7m plan to revalue and develop a derelict 36-acre site of the former Round Oak Steelworks within the Dudley Enterprise Zone.

Richardson Brothers, the Midlands developers of the project will eventually provide 421,000 sq ft of industrial and commercial units.

Mr David Trippier, the Department of the Environment minister with responsibility for the Midlands and through-out the country.

development, said: "This new grant, which is designed specifically to attract private-sector investment and new jobs into urban areas, is a critical weapon in the Government's strategy to revive the economy of our rundown industrial areas."

The Dudley venture would provide up to 1,800 jobs in the businesses that would come into the area, he said. "Nothing succeeds like success and this project will blaze a trail for other developers to follow here in the Midlands and throughout the country."

Some are from consortia with a lead developer, while the Phoenix Initiative co-ordinates an ambitious project for the regeneration of the Whitworth Street area in Manchester.

On some of them, the gearing of private to public investment will be considerably less favourable to the public purse than the Dudley project. The DoE will then have to decide whether to go along with them, in the hope that the early projects - like the proposed conversion by Wimpey of a former factory into a residential complex in Manchester - will instill confidence in the area so that less public money will be needed for subsequent developments.

Developers, naturally, will seek to minimise their risk, leaving the Government to decide how much it is prepared to spend on pump-priming urban renewal. There was no specific allocation for URG in the DoE budget for the current financial year. Next year is uncertain, with the department's budget not yet settled, but officials say that the money will be there if the projects can just happen, but not so high as to

building can start, the site, part of the former Round Oak steelworks, has to be cleared of derelict buildings. The Dudley enterprise zone site is owned by the developers.

The complete project is costed at £27.5m, of which the Government will pay £23.5m. The plan is that around 1,000 jobs will come to this new development over the long term. A key factor in the DoE's assessment is that the assessors are handling a new grant which necessarily involves a learning curve.

The Dudley project is fairly straightforward. The application was from a single developer - one of the companies in the property group owned by the Richardson brothers. The project is for the construction of high-quality industrial units to be built on 26 acres. Before

that have been created through grant-aided projects as opposed to transfers from other areas.

Considerable importance is being attached to the pre-application stage for URG, to encourage developers to submit well thought-out proposals.

Applications are then assessed by a team of three chartered surveyors, one quantity surveyor, and an accountancy expert from the private sector. The costs and final values of the projects are worked out in relation to the local market, although if there has been little activity in the area - as is frequently the case where there is a lot of derelict land - some broad-brush assumptions might have to be made.

The Government's aim is to pitch the grant at the level which will make the project happen, but not so high as to

Johannesburg Consolidated Group

(All companies mentioned are incorporated in the Republic of South Africa)

Gold mining companies' reports for the quarter ended 30 September 1987 with comparative figures for the previous quarter

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

Registration Number 000231000

Issued capital: R400,000,000

(Divided into 611,553 shares of R1 each)

Quarter ended

30.09.87 30.09.86

(Unaudited)

GOLD

Crushed - tons

1791 059

1820 000

Yield - grams per ton

4.847

5.3

Kilograms produced

8 269

9 064

Production - per ton milled

R56.13

R65.46

Working cost - per ton milled

R56.47

R56.25

Profit - per ton milled

R75.55

R53.21

Net profit

R13.00

R1.15

Unsmelted

Tons treated

410 000

740 000

Yield - kilograms per ton

6.36

6.16

Kilograms produced

67 276

194 611

FINANCIAL RESULTS (R1'000)

(Unaudited)

GOLD PRODUCTION

Mt wrought decreased by 189 000 tons in relation to the previous quarter and included 62 000 tons (611 000 tons) from surface sources. One mill from underground sources decreased by a further 207 000 tons as a direct result of the extensive flooding of the No. 1 shaft in January 1987. The mining of the shafts produced during September month to an even greater extent due to the need to engage and train new labour and to the general process of recovery from the disruptions that were caused.

The grade from underground sources remained constant.

SHAFTS

Decommissioning

The decommissioning of the No. 1 Ventilation Shaft is nearing completion.

Development of the No. 2 Ventilation Shaft is in progress.

Capital expenditure

30.09.87

30.09.86

30.09.87

30.09.86

Net expenditure

41 138

45 654

41 138

44 000

Capital commitments stand at period

61 186

61 186

LONG-TERM LOANS (R1'000)

Balance at end of period

48 945

49 112

Interest paid during the period

134

163

Repayments due with one year

10 000

12 000

CONSUMER LOAN

The consumer loan has been converted to SA currency at the rate ruling at 30.09.87 which was R1 = 50.860 (R1 = 50.860 at 30.09.87). The long-term loan balance as well as the current portion of this loan are expressed net of the future tax effect of losses resulting from exchange differences.

On behalf of the Board

K. W. MAXWELL

W. P. CONN Director

PROGRESS REPORT

30.09.87

30.09.86

Expenditure capital account

R4 364

R8 643

(Unaudited)

SHAFTS

No. 3 and No. 4 Shafts have reached depths of 1 000 metres and 948 metres respectively (546 and 544 metres) and shaft driving has been completed to 1 000 metres and 937 metres respectively (547 and 545 metres) below shaft collar.

DEVELOPMENT

Development on Level 60 has now advanced a total of 1 462 (800) metres.

The 70 Level mid-shaft loading facilities have been commissioned and development of the intermediate pump chamber and the main access roadway to rest has commenced.

In addition a total of 180 metres has been developed from the shafts on the 60 and 65 Levels.

SAMPLING RESULTS

A total of 238 metres of reef development has been sampled to date at an average reef width of 11 centimetres and a gold grade of 46.7 grams per ton or 50.7 g/t.

Additional dip testing has been encountered on the reef drive west of the main access roadway and this has required further revision in the planning and scheduling of the reef drive to the reef face. This will delay the commencement of gold production by approximately two months.

UNDERGROUND CONSTRUCTION

On 60 Level the waste tip was completed during the quarter. The construction of the workshop and rest tips is still in progress.

TREATMENT PLANT

Construction of the first module of the roasting-milling plant is nearing completion and commissioning is in progress.

STRUCTURE INFRASTRUCTURE

The No. 1 and No. 2 Shaft terrace earthworks have been completed.

The infrastructure for No. 3 and No. 4 Shafts is well advanced.

HOUSING

107 houses (77 houses) have been completed in Virginia where a further 22 houses are under construction.

On behalf of the Board

K. W. MAXWELL

W. P. CONN Director

Capital expenditure

30.09.87

R000

30.09.86

R000

Capital expenditure

30.09.87

R000</p

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Tuesday October 20

Coming down to earth

BLACK MONDAYS rarely live up to the description so dramatically. Yesterday's 11 per cent collapse in UK equity prices (13 per cent at one stage) as measured by the FT-SE 100 Share Index threatens the new-found reputation of the Stock Exchange as a safe and rewarding place for millions of small investors to put their money. Share prices continued to go down as well as up - and alarmingly quickly, too. Moreover the shakeout immediately places the £2.2bn BP issue in grave danger of failure, at least in so far as the underwriters may need to show their mettle.

The decline is proportionately the largest single day's drop in fifty years, far exceeding on March 1, 1973, when there were obvious post-election reasons for the alarm - though it can be argued that part of yesterday's collapse was attributable to last Friday when the problems were posed by external rather than internal storms.

It is a natural response to blame London's new market making system, still less than a year old, for the savagery of yesterday's markdowns. As in the previous (but much less serious) shakeout in July, there were complaints yesterday that the genuine investors found it hard to get through to the market makers and that the securities firms were absorbed in playing elaborate games with each other. The tumble was market-led rather than investor-led.

Exchange rate

After all, London's bull market appeared to have been reasonably well-founded. Profits and dividends have been rising strongly, there is no pressure on short interest rates, and valuations have looked supportable. But suddenly London share prices have collapsed in a morning by much more than the scale of the setback on Friday in New York which triggered off the session - though the final, early afternoon phase of yesterday's FT-SE slip was a response to the further agonies of a Monday morning Wall Street.

There must be lessons here about the instability of the global institutional market place, which feeds on fears transmitted

Import demand

It could be that a critical mass of big investors has concluded that a major US recession is now becoming inevitable. The Louvre accord on currencies is easily crumbling; the dollar is losing its support, and either the Americans accept that imports will cost them a good deal more in dollars in future or they will have to suffer the pain of even higher import rates. Either way, the economic consequences of lower US import demand will be felt around the world.

The puzzle is whether such a realisation can or should have dawned so suddenly on Wall Street, and even more so on the London equity market, which only a week ago was trading contentedly within 4 per cent of its July peak. The message of the latest few days is that modern markets are too narrowly obsessed with predicted opinions. They have tremendous technological capacity for gathering global information, but the process of analysis turns out to be clumsy and even alarming. We still have to live with Black Mondays.

Unclear goals in the Gulf

YESTERDAY'S American bombardment of at least one disguised Iranian oil platform in the Gulf marks the most serious US move so far in a dangerous situation between Washington and Tehran. Although Mr Caspar Weinberger, the US Defence Secretary, said the Reagan Administration now regards the matter as closed, things are most unlikely to be seen in a similar light by Iran.

The attack was presented by Washington as measured response to Iran's missile strike on a tanker flying the US flag in Kuwaiti territorial waters on 14 July. But two incidents show that the two sides are deeply uncertain as to what they are now trying to achieve in the Gulf. That confusion raises the distinct risk of a wider escalation of the conflict, especially in view of the fierce criticism of Washington's latest action from the Soviet Union.

The Iranian Government is caught between conflicting currents. Domestically, it is under pressure to respond to two recent clashes with the substantial American naval force now patrolling the Gulf. Internationally, it is on the receiving end of an unprecedented diplomatic campaign to end the war with Iraq. It knows that its weakened armed forces cannot hope to triumph against US firepower in the event of a full-scale confrontation.

As a result, the Iranians have been probing the limits of the American military commitment in the Gulf whilst seeking to avoid the full force of American retaliation. This was certainly the implication of last Friday's attack, involving as it did a ship which was not technically under US naval protection.

Deeper muddle

The US Administration, for its part, is similarly torn. Since early summer, senior officials have been expressing eagerness to confront Iran, with which Washington has a large number of recent scores to settle. There have been suggestions that Washington would mount pre-emptive strikes on missile batteries the Iranians are believed to have installed on the Fao peninsula in the northern Gulf or close to the Strait of Hormuz.

But in practice, US actions have been limited in scope. Leading Congressmen have said they would support a "propo-

Fiat dominates Italian industry. Suddenly, the politicians have started to worry.
Alan Friedman and John Wyles report

Challenging the empire

IS FIAT TOO POWERFUL? This question lies at the heart of recent tense exchanges between the giant Turin group and the Italian body politic which have at times resembled two sovereign states on the verge of severing diplomatic relations.

In the last few weeks, Mr Cesare Romiti, Fiat's managing director, has taken the battle to the politicians with his president, Mr Giovanni Agnelli, apparently observing, and only occasionally intervening from a distance.

Mr Romiti has grumbled about increased value-added tax on motor cars and the contents of the Government's 1988 budget proposals, which he alleges are unhelpful to business. He has blackballed the appointment of the state's candidate to the managing directorship of Telti, the proposed joint venture between Fiat's Teletra and IRI's Italset, on the grounds that Marisa Belisario is a political choice prima facie of the Socialist Party. He has complained of general interference by politicians in mundane busi-

ness matters.

But the biggest headlines have gone to a remarkable, and apparently impromptu speech given by young businessmen at a conference in Capri at the end of last month. Then Mr Romiti rolled up to all his present constituents into one bitter reference to the retrospective speech of "an arrogant Romiti" which he attributed both to the traditional Marxist left and to sections of the Catholic movement, which regard profits "as a kind of sin."

The same speech contained a reference to the possibility of anti-trust legislation in Italy which many believe to be the key to understanding Fiat's offensive. Mr Romiti said the company would have no objection to legislation countering "monopolistic situations" but it would "certainly contest any 'veiled' proposals."

The political world's almost universal complaint against the Romiti speech was of its "arrogance." An anti-trust debate which in any other country would be seen as a natural democratic concern is immediately classified in Italy as an attack on the Agnelli group," wrote Mr Paolo Panerai, editor of Milano Finanza, a Milan financial weekly.

At the very least, it is obvious that Fiat is watching with concern the variety of initiatives now directed at producing an anti-trust law. It is also understandable that Fiat should feel itself to be a target since it is Italy's largest private sector company with interests ranging from motor vehicles to telecommunications, from newspapers to mutual trusts, from food to

retailing to insurance. Senator Cassola and others do not challenge Gianni Agnelli's recent assertion that Fiat needs to grow stronger, providing that the Fiat president was referring to the automotives sector. The group's leading 15.3 per cent share of the European car market is universally regarded as a position to be defended, particularly in view of the fact that the agreement limiting Japanese imports to 2,550 cars and 750 four-wheel drive vehicles a year may not be sustainable beyond 1982.

Nor is there any serious threat from the politicians to break up Fiat. There is a great deal of misunderstanding about the place of anti-monopoly. It is either a concern for some or the demon that Mr Romiti gives after with a pitchfork," says Senator Guido Rossi, who is working on what is probably the most important independent anti-trust legislative initiative.

A distinguished former chairman of the Consob stockmarket authority who has also acted as a lawyer for Fiat for many years, Senator Rossi is still shrouding the details of his bill, but says it will not be all-encompassing legislation.

"We are the only European Community country without any

of clearly limiting the holdings of industrial groups in banks and financial institutions to prevent their possible exploitation for private interests. Similarly, the extent of conglomerate control of newspapers and television also looks likely to be restrained.

Some sections of the Italian press have tried to present Fiat's confrontation with the politicians as a solitary feud with the party's leader, Mr Bettino Craxi, has made no secret of his support for regulating big business, though the prime minister is far broader. The policy programme loosely binding together the current five-party coalition led by the Christian Democrat, Mr Giovanni Goria, is committed to producing "rules on transparency and norms for curbing concentration."

While the Communist Party has made no secret of its belief to be dealt with politicians on the centre and right are musing on anti-trust legislation.

"We are the only European Community country without any

cent of the components market and for most of Italy's component suppliers it is the only real client available.

Holdings controlled through IFI and IFIL, the Agnelli family companies, go even further. The Toro insurance group is the sixth biggest insurer with \$1bn of premium income, the Rinascita department store chain has nearly \$100m of sales and 20 per cent of the Italian mutual pension fund.

"This law must protect the consumer and that means letting in Japanese car imports even if it costs Fiat market share, that's so be it," concludes Senator Rossi.

The Rossi law would set up an autonomous anti-trust authority, using as models the Bundeskartellamt in West Germany, the Monopol and Mergers Commission in Britain or the anti-trust division of the Department of Justice in Washington.

"It is not pure competition market share that would be a guideline for my law, but the interests of

the consumer," Mr Rossi says.

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Letters to the Editor

The Japan problem and an apocalyptic view

From the Director General,
Japan Trade Centre London.

Sir, I have noted with great interest the recent articles and letter exchanges in your esteemed paper about the Japan problem, particularly the pros and cons of the contributors.

To put such viewpoints in better than to neglect them. It allows free expression of feelings and permits open debate on a matter which affects us all.

It is not my intention to side with any of the contributors but there is a point I should like all to consider.

Japan's current trade surplus is indeed very large and should be reduced as soon as practicable. It should be noted however, that the recent rapid growth of Japan's trade surplus was mainly brought about by short-term factors.

The dollar-based surplus figure reached \$22.7bn in 1986, an increase of \$8.6bn over 1985. Of the \$26.6bn, \$12.5bn reflected the temporary increase in the value of the dollar-based exports brought about by the declining exchange rate, despite the fact exports had not increased in volume owing to the rise in dollar-based export prices resulting from the appreciating yen. Another \$16.5bn is attributed to the steep drop in oil prices from a 1986 average of \$28 a barrel to \$16 a barrel in 1986.

An example likens the situation to that of a growing boy who

is 6' tall being told he is 5' tall because of a change in the division scale. He is certainly growing but not that rapidly.

Oil prices and exchange rates are both functions of the world economy as a whole and are uncontrollable by Japanese business engaged in the export and import trade.

Trade responds to market requirements and business exists on demand. It is not a game of chance. You can neither increase nor decrease your business as fast as the change of oil prices or the exchange rate.

Japan continues striving to reduce the surplus by expanding domestic demand, encouraging and assisting import promotion, increasing ODA (Official Development Aid) to the developing countries and so to.

In fact, only recently, Japan announced a so-called recycle plan, to provide finance of \$20bn to the developing countries spread over the next three years. The funds will be completely used and will be given through international financial institutions and other similar organisations.

These activities are finally influencing the situation. We are now seeing a sharp rise in imports of manufactured goods, a continuing decline in our oil volume and a steep drop in the surplus as a natural result. Shunji Ogawa,

Leytonstone House, Caversham Street, WI.

From Mr G Bowring.

Sir, Mr. George Soros' apocalyptic view (October 14) of the Japanese stockmarket is founded on the premise that the period of excessive liquidity is coming to an end. No-one disputes this and that the speculation it spawned has rightly led to the demise of Tatsco Chemical will cease.

The authorities, far from allowing financial speculation to continue unchallenged have moved swiftly to deal with the problem, as Mr Soros himself acknowledges.

The collapse of the bond market may easily have been engineered by the authorities in order to force the losers in the "gilt-edged" game to reveal all. The rise in interest rates is proof that the recovery now happening in the Japanese economy, bank lending is being sought for capital investment plans both at home and abroad, indicating the confidence of individual managers to produce creditable profits as exchange rates rise to 120 Yen/\$.

Mr Soros' article completely ignores the recovery taking place in operating profits across the board in Japanese companies, as well as the rebuilding and restructuring of the domestic economy, which is every bit as significant as the Gordon Gekko "paradise" external. The reason why Japanese companies are on apparently high P/E's is that the market is

anticipating the significant improvement in the quality of operating profits in years to come.

Japan has shown not only that it can cope with but can also profit from a loss of competitiveness which would have crippled other economies. By contrast the USA has completely failed to capitalise on the opportunity offered by the change in the value of its currency.

Mr Soros ignores the well rehearsed argument concerning differences in Japanese accounting practices. By some measures, this would add up to 20 per cent to Japanese profits vis-a-vis their American counterparts. And, for NTT, what would the multiple be on British Telecom if the reprivatisations threat were removed for good? NTT faces no competition at home at all and in privatised from now, has the potential to produce financial performance every bit as good as Japan's major commercial enterprises.

Mr Soros' contention that private savings will slow down is unsupported. In any event, savings in Japan are running at an absolute level twice that of the USA, and life insurance companies continue to invest at most approximately 5 per cent of cash flow in equities, but have stated that the proportion of cash flow to rise.

G. Bowring,
Lancashire Hall,
Anstruther,
Fife, UK.

FOR THE first time since 1945, it is beginning to look as if there is a real chance that the United Nations might be used as its founders intended: as a framework in which the great powers, working together and with the advice and consent of the wider international community, can take action to preserve world peace.

That did not happen after 1945, mainly because of the attitude of the Soviet Union.

During the war, Joseph Stalin, the Soviet leader, had rather reluctantly allowed himself to be coaxed by US President Franklin D. Roosevelt into joining in the creation of the UN. He knew perfectly well that the majority of states in the post-war world would be capitalist, and he had no intention of putting the Soviet Union in a position where it might be coerced by majority vote.

Sure enough, he soon found his behaviour on a wide range of issues condemned by the majority. Andrei Gromyko, as the Soviet delegate to the UN in those early days, acquired the sobriquet of Monsieur Nyet because of his frequent use of the veto.

Sir Brian Urquhart, in his autobiography published this week, recalls that even in 1945 the Russians were particularly reserved about the UN Security Council which they regarded as a threat to the autonomy and effectiveness of the UN in keeping the peace, and appeared very negative on the idea of collective action which was the essence of the Charter concept of maintaining international peace and security.

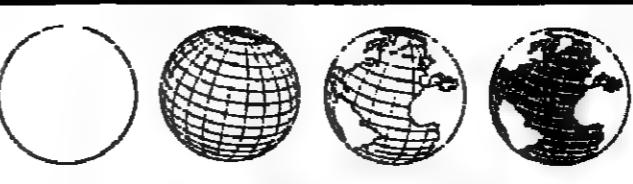
The Military Staff Committee, composed of representatives of the chiefs of staff of the five permanent members of the UN Security Council, had managed to agree on the type and quota of forces to be made available by the great powers for enforcing the council's decisions, and was soon reduced to a purely ritual fortnightly meeting.

From that day to this, every use of the UN flag or UN machinery "on the ground", rather than for purely diplomatic or declaratory purposes, has been achieved either by a circumvention of the Soviet veto or, at best, with grudging Soviet neutrality.

The West was able to fight the Korean War as the United Nations' only because Moscow was boycotting the Security Council at the time, in protest at the exclusion of Communist China. Not surprisingly, this type of "enforcement" has proved impossible to repeat.

Instead, the UN Secretariat has gradually improved the UN force of peace-keepers in which a token UN force is intended between the parties to a conflict, with the consent of both, to make it more difficult for them to start fighting again.

It was the General Assembly which requested the Secretary-General to set up the



FOREIGN AFFAIRS

The Soviets come in from the cold

that the Soviet Union had paid off its arrears in regular UN contributions and was ready "to pay its assessments for all peace-keeping forces without exceptions".

One needs to be careful about all this, of course. There is considerable confusion about the precise figure of arrears and about which operations the Russians are actually offering to pay for. Earlier this year they rejected a Secretariat suggestion that part of the cost of UNIFCYP should be covered by assessed instead of voluntary contributions, and Mr Petrovsky's use of the word "assessments" suggests that UNIFCYP may still be excluded.

Likewise neither Mr Shevardnadze's remarks about the Gulf nor Mr Petrovsky's desire to revive the Military Staff Committee necessarily mean that they are converts to the idea of enforcement. Mr Shevardnadze was apparently suggesting a peace-keeping force to monitor a putative ceasefire, rather than a UN takeover of the province, and envoys from the majority of states are still employing Soviet-type language. The Secretary-General exceeds his powers by running peace-keeping operations, since the only military forces mentioned in the Charter come within the purview of the Military Staff Committee.

Meanwhile, on September 17, Mr Gorbachev came out with an article calling for a revival of the UN and offering some practical suggestions for making it more effective, including notably "wider use" of UN peace-keeping forces.

It could be that reviving that committee would simply provide a mechanism for Soviet interference in the administration and command of peace-keeping forces, rather than herald any new collective will of the Security Council to act forcefully in defence of peace.

Yet even with those reservations, there is clearly a new and more positive Soviet attitude to the UN in general and to peace-keeping in particular, and Moscow is putting at least some of its money where its mouth is. Unfortunately, though perhaps not coincidentally, it is doing so at a time when Congress is refusing to bring the US contributions up to date - thereby endangering a reform package agreed with Third World delegates in New York - and refusing even the small part-payment which the Administration had proposed to make towards the US assessment for UNIFIL.

It will be tragic if the US turns out to have lost all interest in the UN just when the new Soviet attitude offers hope that it could at last become really useful. America is, rightly unwilling to leave Moscow a monopoly of the protection of Kuwaiti tankers. Surely it should accept the belated Soviet request to share in the leadership of the world organisation, rather than allow Mr Gorbachev to assume that leadership by default.

Moscow is playing a positive role at the UN for the first time since its creation.
Edward Mortimer reports

Indonesia's transmigration

From Mr M Colchester.

Sir, John Madelacy's article (October 14) on the changes taking place in Indonesia's transmigration programme leaves a great deal unsaid, compounding the confusion that reigns about the future of this disastrous scheme to colonise Indonesia's outer islands with the poor from over-crowded Java.

He correctly notes that the Indonesian government has announced substantial cuts in the numbers of transmigrants being moved; a fact which the World Bank has made much of to placate those who have criticised its involvement in the programme. The reality is however, that as many transmigrants are moving as ever. How so? Because the announced cuts only to so-called sponsored transmigrants (transmigrants on grants and in whom the substantial costs of transport, housing, land clearances and agricultural extension are borne by the Government) Meanwhile to compensate for these cuts, the Government is actively promoting the movement of so-called spontaneous transmigrants (transmigrant swarbacks), migrants who move at their own expense yet within the framework of the official programme.

Thus in 1986/1987 some 188,233 families were moved; 5,333 more than originally targeted. The Minister for Transmigration has announced that the 1987/1988 target has been raised to 180,000 families; Madelacy gives a figure of just 10,000.

One of the main criticisms of

EC merger policy

From Mr J Boyd QC.

Sir, It is not often that your leaders fail to take a balanced view, even if they are sometimes a little bland.

Your leader on competition in Europe however (October 8) was, by your own standards, remarkable. It read in parts as if it were based on a hard-out from the US and other Government which are unable to agree a Community merger policy and yet resent the European Commission's intention, in the absence of such policy, to make more use of the limited powers which it already has.

You criticise the Commission's procedures for being slow, inconsistent and subject to political pressure. It would be interesting to know which of the member states have competition procedures which are as bad as the UK's. I am sure the reference of a proposed merger to the Monopolies and Mergers Commission is usually seen as a kiss of death.

Responding to the international condemnation of the human rights abuses associated with the programme, the British Government's Foreign Affairs Committee has noted that "insufficient attention may well be paid, consistently, to the rights both of the transmigrants and of the indigenous peoples at the receiving site". The committee also noted that "the elements of the transmigration programme which have been brought to our attention justify the UK Government's policy of non-involvement".

Why the British Government goes on supporting the programme through the World Bank and the UN agencies remains unexplained. Marcus Colchester (Projects Director), Survival International, 310 Edgware Road, W2.

The reluctance of the Government to give the Commission more powers is due not to the failings of the Commission, but rather to a lack of political will on the Government's part. This results in mergers, many of which affect more than one country, being subject quite often to two or more differing systems of the Soviet veto or, at best, with grudging Soviet neutrality.

You remark that a Community merger policy "has not been adopted until after 1989" and that the Commission, "which is pressing for action by Governments after 14 years of inactivity on their part" is now "rushing its fences". Whatever else may be said about your leader writer, it is good that he does not lack a sense of humour!

John Boyd,
3 St Katherine's Road,
Brenton on Thames, Oxon.

Unit trust prices row

From Mr P Edwards.

Sir, A recent price row is heating up (five have already been heated through your columns) between the old swots of the unit trust industry and the newly-promoted and rather reclusive Lance Corporal SIB. This jumped-up brainiac is actually questioning some hallowed regimental customs and the troops don't like it. They're wrong, it happened, on several occasions, to the member states which have come to agreements with 11 different unit trust management companies. We placed £25m into various unit trusts in 1977 separately, paid in cash in the main being raised by 75% separate unit trust purchases.

We hope our random but real figures typically illustrate our point, and which other brokers' figures would equally support that as everyone bar the SIB knows, these days the vast majority of unit trust sales are put through by investors to fund new unit trust purchases. That is, there would be two sets of prices each day, either side of a dead period or "half-time" in the middle of the day when managers revalue.

This proposal is neither forward nor backward pricing. It's half and half. No-one will really like it, but it will work, and it will be marginally "fairer" than the present drill. We urge SIB to acknowledge that new customs need to be firmly based on practicalities, ie, they must do the job without creating more problems than they solve. Or the troops (and their camp followers) will not respect them.

Peter Edwards,
Pensions Unit Trust Brokers,
54 Baldwin Street, Bristol.

facturers, and we must ask, for example, whether he will continue to allow the import of gas appliances without evidence of conformity with British standards.

Lord Young should also say what action he proposes to take to encourage major purchasers to accept third party quality assessment certification to BS 5750 and so avoid the scourge of multiple assessment with which the industry is still plagued.

The gas industry will be watching to see whether his words are matched by speedy legislative action.

Bill Stidwell,
36 Holly Walk,
Leamington Spa, Warwickshire.

not a transfer from the UK exchequer into Community funds. So we have £15m less to develop our business and to maintain jobs in the UK, while someone else has £15m more.

This is crazy. What is required is a return to the general principle that those who produce surpluses should pay for them. A principle which used to apply in the sugar regime, but unfortunately does not any longer.

These proposals for the sugar sector do not represent one of the agricultural "stabilisers", of which the Commission now seems so proud, because the essential link between Budget

and production level is simply not there. As a result there is no requirement to reduce surplus production. And why? Because producers, and not Governments, are footing the bill. If Governments had to pay up, you can be sure that steps would be taken to reduce surpluses, however "tough" the Commission's line seems at present on the national scene.

To put this into perspective, the UK sugar industry's levy bill this year alone will rise from £20m to £31m - an increase of 50 per cent. This sum represents a direct transfer from our sugar industry to the industries of the surplus-producing countries.

Simon Harris,
PO Box 26,
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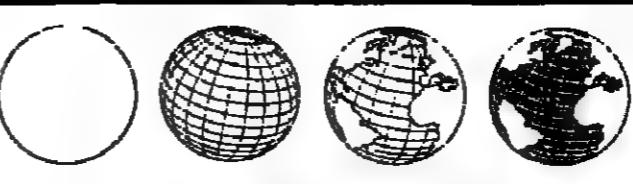
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FINANCIAL TIMES

Tuesday October 20 1987



Martens resigns in wake of language row

BY WILLIAM DAWKINS IN BRUSSELS

BELGIUM's centre-right coalition Government finally resigned yesterday morning when King Baudouin accepted the resignation of Mr Wilfried Martens, the Prime Minister.

King Baudouin immediately asked Mr Martens to form a caretaker government to prepare the outlines for wide-ranging constitutional reforms and to carry on routine business before calling elections, expected either in mid-December or mid-January.

Mr Martens, leader of the Flemish Christian Democrat party (CVP), offered his resignation last week in the wake of a long political row over the official Flemish language of his village. But King Baudouin put off accepting until he had time to

consult political leaders on both sides of the French-Flemish divide.

The former Belgian Premier started talks with his old coalition partners yesterday in an attempt to form an interim government within the next few days. He is aiming to model the new administration on the former four-party Government of CVP, Flemish Liberals (PVV), French Social Christians (PSC) and the French Liberal Reform Party (FRL), though there were doubts yesterday over the PSC's willingness to take part.

By asking the caretaker government to draw up comprehensive legal reforms, King Baudouin has offered the Belgian Parliament the chance to tackle the whole range of political and cultural tensions of which the

present linguistic dispute is the most dramatic symptom. The village row that brought down this Government concerns Mr Jose Happart, the French-speaking mayor of Leuven, as Verviers, as his Dutch-speaking opponents would like him to call it, is only one of the galaxy of issues the new government will have to tackle.

Another is a proposal supported by all coalition parties except the PSC to transfer responsibility from national to regional authorities. The PSC fears that this could isolate its Catholic supporters in the south of the country, where the party's Socialist opponents hold the majority in regional governments. The process will also give an opportunity to reopen stalled discussions on a compromise proposal that

would have led to a slight relaxation of the language rules as well as the dismissal of Mr Happart.

The caretaker administration's powers will be limited to amending which articles of the constitution should be opened for debate in what will be Belgium's fifth constitutional reform package this century. Once outline reforms have been prepared, Belgian law lays down that they can only be voted through parliament after a general election.

Moreover, the package will need a two-thirds majority in the 212-seat parliament, rather than a simple majority for routine legislation. This arrangement may could either help to create a political consensus or lead to another deadlock.

Ian Rodger in Tokyo assesses the career and future prospects of Mr Noboru Takeshita

Japan's man for all moments

EVEN close associates of Mr Noboru Takeshita, chosen last night to be Japan's next Prime Minister, acknowledge that he does not know much about economics or foreign policy. But they say he is the ultimate grassroots politician, in touch with the mood of the people and with currents within the ruling Liberal Democratic Party.

They say he is the man for the moment: the man who can convince the Japanese that they must change their ways and behave more in harmony with the international community.

While Mr Yasuhiro Nakasone, the present prime minister, has already developed new policies in direction for the party, they claim that Mr Takeshita can convert plans to action.

Mr Takeshita has certainly long been known best for his skills in the back rooms of Japanese politics, ironing out tensions and building consensus, whether within the party or his faction or any of the many cabinets in which he has served.

The guiding theme of his political platform is "futuroism": home village is the base for his emphasis on local government and consensus. He describes himself as the type of leader that likes to coordinate and bring about a steady buildup. Now he claims he can achieve this on the international stage as well.

Mr Takeshita was born in 1924, the eldest son of a sake brewing family in western Japan. His studies at the School of Commerce at Tokyo's Waseda University were interrupted during the war when he trained as a pilot. But he completed them in 1947, returning to his home town where he taught English in the high school.



Noboru Takeshita: waited patiently for the call to office

Following in his father's footsteps he soon became active in local politics and was elected to the Shimane prefectural assembly in 1951. He won his first election to the national Diet (parliament) seven years later and has been here ever since.

He entered Cabinet in 1964 as chief cabinet secretary under prime minister Eisaku Sato, and participated in the negotiations leading to the return of Okinawa from the US. In a subsequent Cabinet he was construction minister before serving as finance minister in a succession of cabinets from 1979 until last year when he became LDP secretary-general.

During his tenure as finance minister, he and various high-level economists spoke to him.

Mr Takeshita looked for a long time like the man who would inevitably become prime minister by patiently waiting for his turn. But an upheaval in the 1970s in the faction of which he was a leading member nearly dashed his hopes.

The former leader of the faction, Mr Kakuei Tanaka, resigned in disgrace as prime minister in 1979 following his questionable real estate deals.

Mr Tanaka maintained his grip on the faction, however, and was the largest of those making up the LDP. Mr Takeshita was

parently made little impression on other leaders.

Like many Japanese political leaders, Mr Takeshita has some close family links with other politicians. His eldest daughter married the eldest son of Mr Shin Takehara, deputy prime minister and cabinet minister.

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urged to break away and set up his own faction on the grounds that the Tanaka faction would never get the prime minister's office again until it was separated three to one by the encircling Indian troops are reported in the island's capital, Colombo, to have sent a letter to the Sri Lankan Government calling for an unconditional ceasefire.

"It is the same letter that the Indians received earlier and our response is the same as that of the Indian Government," an official of the Sri Lankan National Security Ministry said.

Mr Rajiv Gandhi, the Indian Prime Minister, has publicly demanded that the Tamils must unconditionally lay down their arms.

"Hopping up operations are now on," an Indian spokesman at the Indian External Affairs Ministry was quoted as saying.

He claimed that Jaffna's town hall, the main telegraph station and bus terminus had been captured by Indian forces.

Meanwhile, in eastern Sri Lanka, at least 40 Tamil refugees were killed when guerrillas accidentally exploded a landmine under a bus.

In Jaffna, where some 2,500 Tamil Tigers have been holding out for 10 days against an Indian force now estimated to be 8,000 strong, conditions are said to be dire.

Government officials in Jaffna have attempted to contact President Jayewardene to inform him of the situation.

There is an acute shortage of food, water and fuel in the town, which has a peace time population of 120,000. There has been no electricity since the October 17. There are more than 50,000 refugees in the university campus and two school buildings, and drinking water is no longer working. An epidemic is feared as the hospital cannot cope with the sick and wounded.

The signatories to the appeal have called for the President's immediate intervention.

The Indian Government announced that a relief ship will arrive in Kankesanturai, Sri Lanka's northern port,

with food and medical supplies.

A 33-member team of Indian Red Cross officials will supervise the distribution of food, fuel, medicine and other essentials.

No EC agreement on reform package

BY QUENTIN PEEL IN LUXEMBOURG

EC MEMBER states were yesterday drifting apart in their efforts to reach agreement on a radical overhaul of their future financial system. It was clear that they will reach an accord by the current deadline of their December summit meeting in Copenhagen.

Discussions were launched yesterday by foreign and agriculture ministers on key elements in the reform package, without any sign of compromise between hard-line budget disciplinarians - like the UK - and others who prefer a more flexible approach.

The British position remains the most intransigent, but it does appear to have shifted on one key aspect - switching from the present system of national contributions based on value added tax, to one linked to gross national product.

The Commission has proposed a combined system - part VAT-based and part GNP-based. British officials now suggest that they would like to see a complete switch to the GNP system because it would tie contributions more directly to actual prosperity.

Italy is fiercely opposed to any such suggestion and it would also hit member states such as West Germany, the largest net contributor, Denmark and the Netherlands. France, however, like the UK, would benefit and become a smaller net contributor if the GNP system were introduced.

Other member states, and the European Commission, seem to be prepared to accept a vaguer

Record falls on Wall Street

Continued from Page 1

left the market on Friday in moderately buoyant spirits expecting a mechanical bounce-back, took a much gloomier view.

So overwhelming was the buying by sell orders that the NYSE's specialist floor traders were unable to make prices in most of the key institutional stocks.

Taking their cue from tumbling prices in Tokyo and London and from the Dow's 9.5 per cent collapse in the week to last Friday, both institutional and individual investors seemed to be willing to unload their whole portfolios as the market closed completely unable to sell such "liquid" stocks as IBM and General Motors as buyers simply vanished from the market.

Nearly an hour after the market

closed, the effects were short-lived.

Heavy selling on European bourses

Continued from Page 1

In Frankfurt, shares fell by 7 per cent. The Commerzbank's index dropped 12.5 points from Friday's close, the largest daily point fall ever.

The Paris share price index fell by 9.7 per cent, the worst one-day fall since 1981, when the election of a socialist president wiped 14 per cent off share values.

In Amsterdam, the CBS share index fell 13 per cent to its lowest level since the index began in 1983, and in Oslo, the

all-share index of Norwegian equities dropped 32.75 points for the biggest daily point falls on record.

The Japanese equity market fared better, displaying some signs of a sense of independence from Wall Street's problems based on fundamental confidence about the domestic economy and the fact that the Japanese market had already reached a healthy level earlier this year.

The Nikkei lost 620.18 points, the sixth largest drop ever in absolute terms but only a 2.4 per cent drop in percentage terms.

World bond markets did not escape losses as US Treasury bond yields soared. The yield on the benchmark 30-year Treasury bond surged to 10.4 per cent yesterday, pushing UK Government bond prices down by nearly three points and West German domestic bonds 1½ points lower.

US attacks Iranian oil platform

Continued from Page 1

ly-fledged war, and that Iran would avenge the US action with a "crushing blow". President Seyed Ali Khamenei said the attack was "a big mistake" and vowed to retaliate.

The Soviet Union termed the US move armed aggression and adventurism. Mr Mikhail Gorbachev, the Soviet leader, and Mr Edward Shevardnadze, the Foreign Minister, left the opening session of the Soviet parliament a few minutes after it started. Diplomats believed their abrupt departure was connected with events in the Gulf.

Among the US' staunchest allies and among congressmen in Washington there was strong support for the strike. Sir Geoffrey Howe, the British Foreign Secretary, said any country with naval forces in the Gulf might

be called upon to take "action in self-defence" similar to that of the US. He placed the entire blame for the latest escalation on Iran.

On Capitol Hill, Democrats and Republicans said the move was a "measured and appropriate" response to Iran's missile attack on a US-flagged tanker in which 17 crew members were injured.

Congressional support for President Reagan's Gulf policy is vital if the US is to continue escorting Kuwaiti oil tankers through the strategic waterway.

Gulf War report, Page 5; Editorial Comment, Page 16

Indians go into Jaffna despite stiff opposition by Tigers

By Mervyn De Silva in Colombo

INDIAN TROOPS advanced slowly into the centre of the Sri Lankan city of Jaffna last night, meeting stiff resistance from the Liberation Tigers of Tamil Eelam (LTTE), according to an Indian spokesman.

The Tigers, who are outnumbered three to one by the encircling Indian troops, are reportedly in the island's capital, Colombo, to have sent a letter to the Sri Lankan Government calling for an unconditional ceasefire.

"It is the same letter that the Indians received earlier and our response is the same as that of the Indian Government," an official of the Sri Lankan National Security Ministry said.

Mr Rajiv Gandhi, the Indian Prime Minister, has publicly demanded that the Tamils must unconditionally lay down their arms.

The market's natural instinct yesterday was to conceal its shock by claiming the whole collapse had been predictable.

But in truth, for London it came from an almost clear sky. Rising US and German interest rates were not supposed to affect UK equities, since Mr Lawson had cleverly anticipated all that back in August. And though markets have been known to over-react when bear trends have been established, no one could conceive of a ruinous 11 per cent plunge in a market perched near its all-time high?

The sheer extent to which records were broken brought out a rash of explanations, not all of them good. The two obvious ones of 1973 and 1974 are the new dealing system and the rash of derivative instruments such as index futures.

Both will have played a part, but new dealing systems had nothing to do with the astonishing collapse on Wall Street. At least as important was the bizarre circumstance of London being out of action on Friday, when the rot really set in, producing a whiplash effect yesterday morning, proof if it were needed that supporting trading in these conditions would do more harm than good.

Government officials in Jaffna have attempted to contact President Jayewardene to inform him of the situation.

There is an acute shortage of food, water and fuel in the town, which has a peace time population of 120,000. There has been no electricity since the October 17.

There are more than 50,000 refugees in the university campus and two school buildings, and drinking water is no longer working.

An epidemic is feared as the hospital cannot cope with the sick and wounded.

The signatories to the appeal have called for the President's immediate intervention.

The Indian Government announced that a relief ship will arrive in Kankesanturai, Sri Lanka's northern port,

with food and medical supplies.

A 33-member team of Indian Red Cross officials will supervise the distribution of food, fuel, medicine and other essentials.

THE LEX COLUMN

A question of confidence

Based on Oct. 19

Source: International Monetary Fund

Bar chart: Mervyn De Silva

Source: International Monetary Fund

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Source: International Monetary Fund

Bar chart: Mervyn De Silva

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Bar chart: Mervyn

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday October 20 1987



AT&T net income slips to \$505m

By Our New York Staff

AMERICAN Telephone & Telegraph, the largest US telecommunications group, yesterday reported a modest decline in third-quarter net income to \$505m, or 47 cents a share, from \$533m, or 48 cents a share, in the 1986 third quarter.

The group, which has been held back by losses from its computer operations, said revenues were \$8.47bn in the quarter, a modest increase from \$8.43bn in the September quarter of 1986.

In the nine months to September, AT&T earned \$1.55bn, or \$1.42 a share as against \$1.31m, or \$1.16 a share - and a \$175m, or 15 cent a share, special charge. Revenues were \$25.900bn, as against \$25.500bn.

As part of its attempt to bolster its computer division, AT&T yesterday announced a technology-sharing agreement with Sun Microsystems, a California computer company.

Meanwhile, MCI Communications, the telephone group struggling to break AT&T's hold on the long-distance market, yesterday reported operating net income of \$17m, or 6 cents a share, in the third quarter as against \$33m, or 12 cents a share.

A tax credit of \$5m increased this quarter's final net income to \$22m, or 8 cents a share, against \$18m, or 6 cents, after a special charge of \$1m for repayment of debt. Sales were \$994m as against \$910m in the 1986 September quarter.

In the first nine months, MCI's operating net income was \$44m, or 15 cents a share, against \$71m, or 26 cents a share. After various adjustments, reported net income was \$55m, or 19 cents, as against \$34m, and 20 cents, in the first three quarters of 1986. Sales were \$2.400bn, as against \$2.670bn.

New orders: Hf AT&T/Philips
Page 23

Doubt cast on response to BP share offering

By RICHARD TOWKINS IN LONDON

THE SHARP fall in the London stock market has severely jeopardised the chance of a strong response to the £7.3bn (\$12bn) offer of shares in British Petroleum.

The British Government nevertheless intends to press ahead with the issue and prospectus for the share offering will appear as scheduled in national newspapers today.

As yesterday's rout in stock markets took hold BP's existing shares would quickly fall below the £30p price at which the new shares are being offered. They ended the day 34p down at 31.6p.

If the existing shares are still trading around that level when the offer closes on Wednesday next week, the new shares are likely to be perceived as unattractive and the response to the offer could be muted.

One City of London analyst said: "They could have a struggle on their hands to get the issues away at

this level. But a lot can happen between now and next week when the market is as volatile as this."

Other analysts pointed to the strength of the oil price yesterday following events in the Gulf and suggested that BP's price might be well placed for recovery once panic had died down.

The government's advisers believe that institutional investors would still regard the new shares as attractive at yesterday's price levels because they are being sold on a partly-paid basis and offer a comparatively high yield.

However, a minimum of 50 per cent of the shares being offered have been set aside for private investors in the UK. If these people are frightened away by the headlines in this morning's newspapers, the public response could be muted.

This would prove an embarrassment to the Government. At last week's launch, Mr Norman Lamont,

Trading losses in securities act as brake on J.P. Morgan

By ANATOLE KALETSKY IN NEW YORK

SEVERAL LEADING US bank groups, including JP Morgan and Security Pacific, reported modestly higher earnings yesterday.

JP Morgan, holding company for Morgan Guaranty Trust, the fifth largest US bank group, earned \$215m or \$1.18 a share after tax in the third quarter, 3.6 per cent up on the \$11m or \$1.15 it reported last year.

Among the factors weighing down the bank's results were significant trading losses in the securities markets.

Foreign exchange trading produced a profit of \$26.4m in the third quarter, well down on the \$43.1m it

earned the year before. The bank fared much worse in other markets, recording total trading losses of \$12m, against the profits of \$2.5m last year.

Morgan's interest earnings were also down, by 9.9 per cent to \$47.4m or \$1.18 a share after tax on the bank's asset portfolio fell to 2.71 per cent from 3.13. These negative factors were offset by rapid growth in the bank's trust and agency business - up 22 per cent at \$168.7m - and fee and commission income, which grew by 40 per cent to \$154.5m.

Security Pacific, the seventh largest bank, posted net income of

\$120m, up 8.3 per cent on last year's \$118m. On a per share basis, Security Pacific's income was only 6.6 per cent higher at \$1.18 a share, because of slight earnings dilution resulting from the acquisition of Rainier Bancorp of Seattle in August.

Security Pacific enjoyed a 12 per cent increase in net interest income, to \$90.4m, while non-interest income grew by 14 per cent to \$47.1m. In the latter category, trading profits and most types of fee income increased. But capital gains on investment securities holdings totalled only \$600,000, compared with \$20.5m a year ago.

US chemical industries post mixed results

CONTRASTING RESULTS were reported from the US chemical industry yesterday, with a sharp fall in third-quarter profits at Monsanto balanced by increases at American Cyanamid and Rohm & Haas, writes Our Financial Staff.

Monsanto's net earnings in the quarter fell from \$14.4m or \$1.81 a share to \$10.6m or \$1.20, while sales rose from \$1.69bn to \$1.85bn. However, the 1986 figures include net gains of \$33m from asset sales.

Monsanto said sales of its NutraSweet artificial sweetener fell from \$179m to \$177m in the third quarter due to a continuing decline in usage by the powdered soft-drink market. However, a growing market for diet sodas, about 90 per cent of which use NutraSweet, offset much of the sales loss.

At American Cyanamid, third-quarter operating net earnings rose from \$44.4m or 48 cents a share, to \$54.7m, or 59 cents, as sales up from \$21.4m to \$21.04m.

Rohm & Haas increased net profits for the period from \$37.3m, or 54 cents a share, to \$38.3m or 57 cents. Sales advanced from \$488.5m to

\$540.9m.

The group said it would receive more than \$500m in cash, securities and assumed debt from a new company formed by investors including Cibc Corp Capital Investors.

Bally to sell health clubs

BALLY MANUFACTURING, the Chicago-based entertainment company, has agreed to sell its Health and Tennis Corporation subsidiary, the largest health club chain in the US, to a group of investors for more than \$500m.

The group said it would receive more than \$500m in cash, securities and assumed debt from a new company formed by investors including Cibc Corp Capital Investors.

FABRIQUE NATIONAL Herstal, the Belgian arms maker, yesterday unveiled a decline in sales, a BFr1.2bn, net loss and plans to shed 1,025 staff.

The group, which has been in loss since the start of 1986, recorded sales of BFr16.2bn in the first eight months of the year, BFr2.8bn down on the same period in 1986.

It blamed the setback on a shortage of orders and world overcapacity in light arms, delays in aircraft development projects and the company's inability to react fast enough to these events and to slim down heavy stocks.

The announcement of the cuts was immediately condemned by the

CNE, the main trade union at FN, which said it "regretted with much bitterness" being asked to surrender more jobs and that it would only agree to voluntary redundancies.

FN, 21 per cent owned by Société Générale de Belgique, the major industrial holding group, plans to cut general and administrative overheads by 50 per cent over the next three years, of which 20 per cent must go in 1988, said the company.

This will involve a BFr1.3bn cut in the salary bill next year, to be achieved by early retirement for 625 staff, 200 redundancies and 200 buy-offs.

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BOWATER INCORPORATED THIRD QUARTER RESULTS

	9 Months ended 26 Sept.'87	9 Months ended 27 Sept.'86
SALES	US\$884.7m	US\$663.9m
INCOME BEFORE TAX	US\$110.3m	US\$60.0m
NET INCOME	US\$51.5m	US\$35.5m†
EARNINGS PER SHARE*	US\$1.35 (Fully diluted)	US\$1.06

* Net income used in calculations of earnings per share has been reduced by the dividend requirement of the LIBOR preferred stock.

† Net income for 1986 restated to reflect change in accounting for pension costs.

- ★ Strong demand for newsprint, lightweight coated paper and pulp was matched by higher prices and better margins.
- ★ Strong cash flow used to reduce company debt by almost US\$38 million during this quarter.
- ★ Operating income for Computer Forms Group rose 49% during the quarter.

Chairman and Chief Executive A.P. Gammie commenting on the third quarter results felt that his optimism at the half year had been fully justified and "With full order books and higher than average selling prices already in effect" was confident that "the fourth quarter will be even better than the third."



THE AMERICAN PAPER PEOPLE WITH A SOLID BASE FOR GROWTH

Bowater Incorporated of Darien, Connecticut is the largest producer of newsprint in the USA, and a major manufacturer of coated publication paper, bleached kraft market pulp and continuous computer business forms.

This announcement appears as a matter of record only.



CAIXA GERAL DE DEPÓSITOS (PARIS BRANCH)

U.S.\$75,000,000

Euro-Commercial Paper and
Euro-Certificates of Deposit Programme

Arranged by
Westpac Banking Corporation

Dealers
Westpac Banking Corporation
Morgan Guaranty Ltd
Société Générale

Issuing and Paying Agent

Westpac Banking Corporation

October, 1987

This announcement appears as a matter of record only.

Virgin Group plc

has arranged for the trading of its sponsored ADRs on the
NASDAQ National Market System.

The undersigned acted as financial advisors to
Virgin Group plc.

The First Boston Corporation

October 1, 1987

Bear, Stearns & Co. Inc.

Cable and Wireless to merge HK offshoots

By David Godwell in Hong Kong

CABLE AND WIRELESS, the UK telecommunications group, revealed plans in Hong Kong yesterday for the merger of its two local operating companies - Hongkong Telephone and Cable and Wireless (Hong Kong) - under a new holding company to be called Hong Kong Telecommunications.

The new company will be at least twice as large as any other listed on the Hong

Kong Stock Exchange, accounting for about 14 per cent of the Hang Seng index. The group's market capitalisation ahead of yesterday's stock market plunge would have been about HK\$2.6bn (US\$1.6bn).

Mr Brian Pemberton, managing director of the British group, said yesterday that the reorganisation would bring together all of the local companies in Hong Kong that control the territory's telecommunications.

Hongkong Telephone has a franchise to provide local telephone services, while Cable and Wireless has a monopoly of international telecommunications into and out of Hong Kong. Both will retain their operating independence after the merger.

The reorganisation will have the effect of "localising" Cable and Wireless (HK), a move which has been seen as politically astute ahead of Peking's recovery of sovereignty in 1997.

It was revealed yesterday that the subsidiary's turnover in the year to March was HK\$2.6bn, which generated after-tax profits of HK\$1.35m - accounting for about three-quarters of the total profit of the parent group. By comparison, Hongkong Telephone earned HK\$0.5m on turnover of HK\$1.2bn.

At present, Cable and Wireless owns 90 per cent of Cable and Wireless (HK) with the Government owning the remaining 10 per cent. The UK company owns about 70 per cent of Hongkong Telephone, with the remainder of the shares in public hands.

Under the terms of the reorganisation, Hongkong Telephone will lose its public quotation. Existing shareholders are to be offered two shares in the new holding company in exchange for every Hongkong Telephone share they own. This will amount to about 9 per cent of Hong Kong Telecommunications' share capital. They will, in addition, be offered one warrant for every five new shares, with the right to exercise the warrant within three years at HK\$1.60.

The Hong Kong Government, which has held its 20 per cent Cable and Wireless (HK) stake since the UK Government floated the parent company in 1981, will exchange its holding for an 11 per cent stake in Hong Kong Telecommunications.

As a second stage of the reorganisation, both Cable and Wireless of Britain and the Hong Kong Government will sell to the public a 5.5 per cent stake in the company, boosting the shares in public hands to about 20 per cent, and reducing their holdings to 7.5 per cent and 5.5 per cent respectively.

This share placing, scheduled for January or February next year, is likely to provide a windfall to both major shareholders of about HK\$3.5m. The Hong Kong Government originally paid HK\$700m for its stake.

It is understood that the Hong Kong Government will by early in 1988 dispose of its remaining 5.5 per cent stake, since as a matter of policy officials feel the Government should not have substantial equity stakes as part of the Exchange Fund, which constitutes Hong Kong's reserves.

Three companies that are currently subsidiaries of Hongkong Telephone - CSL, which provides telephone equipment and related services, Integrated Business Systems (IBS) and Compartas - will under the reorganisation become subsidiaries of the new holding company, leaving Hongkong Telephone solely operating its franchised telephone service.

A circular containing a form of surrender has been posted to the registered shareholders of the company and shareholders should contact the company or the Transfer Secretary at the address shown on the form of surrender.

The Johannesburg Stock Exchange has agreed to amend the listing of the New Wits Limited shares with effect from 24 December 1987. A similar application has been made to the Council of The Stock Exchange, London, to effect the necessary amendment to the listing of this company's shares on that exchange.

Deals on the Johannesburg Stock Exchange and on The Stock Exchange, London, until the close of business on 11 December 1987, in respect of this company, will be in existing share certificates and deals with effect from 24 December 1987 will be in new share certificates.

Registered and Head Office:
75 Four Street,
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10 October 1987

London Office:
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St James Square,
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United Kingdom Register:
Hill Street Registrars Ltd,
& Greenwich Place,
London SW1P 1PL

INTL. COMPANIES & FINANCE

John McIlwraith on the Edsel of Australia's exploration industry

Anglo American prospects brighten

ANGLO AMERICAN Corporation, one of the world's mining giants, has a less than distinguished record in Australia. After 22 years unsuccessfully seeking gold and other minerals, the South African group has a reputation for being the Edsel of the Australian exploration industry.

Now, through a partly-owned local company, it finally has a significant project.

It will treat the dross of more than 50 years' toll on the Golden Mile, most of the 50m tonnes of ore or soil that lies in tailings dumps (much of it reprocessed before).

The one part in 3m tonnes of gold that will be extracted should be the basis of a profitable operation, given the highly efficient gold extraction processes that now exist.

However, the project has attracted criticism in Australia, with claims that the company should not be allowed to manage the A\$30m (US\$21.6m) venture. By an unhappy coincidence, the project was announced only a few days before South African Airways was forced to end a 30-year association with Australia. Its direct Perth-Johannesburg service has been banned by the Australian Government, as part of economic sanctions.

De Beers, Anglo American's sister company, markets most of the stones from Argyle, the world's biggest diamond mine, in Western Australia.

Anglo American has, by its own admission, never been suc-

cessful as an explorer in Australia and in recent years instead has turned to buying interests in prospects either proven or promising.

The only gold mine it has launched, the Blue Spec, in the early 1970s, had a brief and disastrous career before being shut. But doggedly, Anglo American has remained a permanent if so far unprofitable migrant and indeed is still in the process of naturalisation.

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cessful as an explorer in Australia and in recent years instead has turned to buying interests in prospects either proven or promising.

The South African-Australian company will carry out feasibility studies into launching a tailings operation there similar to the one at Kalgoorlie, presumably confident that a measure of political stability will return.

Even the Kalgoorlie venture, as it is now known, has not run smoothly.

Anglo American has held 32m tonnes in 10 dumps under option since 1973 but low gold prices and a shortage of water at first deterred their processing.

However, by 1984 the project looked attractive enough for Anglo American to exercise its option over the areas, and by the end of 1985 a major source of underground water had been found a few kilometres away which enabled serious planning to begin. The project will require a tonne of water for every tonne of tailings treated, to reduce the required 50 per cent.

Embarassment over the company's South African connection was intensified last week when a West Australian state government body acquired a 15 per cent interest in the tailings venture.

Goldcorp, a company set up by the West Australian Development Corporation to promote the state's booming gold mining industry, will pay proportional costs of development, plus its share of exploration and production expenses.

Project with a touch of the exotic, Anglo American Pacific.

The scale of the project is such that it will require the treatment of 3.5m tonnes of tailings a year to produce just 40,000 ounces of gold. The yield will be an average of 0.4g per tonne, which, given today's gold price, will provide an income of between A\$7 and A\$8 a tonne. Operating costs are ex-

pected to be no more than A\$4 a tonne.

The project has faced some challenges in local courts and changes to state legislation will be necessary to give it secure tenure of its dumps.

Even allowing for financial and other charges, the venture is expected by analysts to provide a profit of more than A\$10m a year.

Loan access

The newly public company is well set up to launch the venture, with cash of more than A\$10m and access to the kind of gold loan which will incur very modest interest charges.

It already has a cash-flow of sorts, through a 40 per cent interest in the Mt Morgan gold tailings treatment operation in Queensland, which is managed by Pecky Wallsend.

That has a capacity of 4m tonnes a year and is expected, when in full production, to yield 90,000 ounces of gold at its peak.

The Kalgoorlie venture has the attraction of another possible 17m tonnes of tailings controlled by other companies but which, after negotiation, could be treated by Anglo American Pacific. The new company has a number of other gold prospects.

After its many years of frustration and expense in unsuccessful exploration in Australia, Anglo American may be granted a lease to mine each tonne of its operations, and even the likelihood of some profits in the next few years.

Randfontein Estates hit by miners strike

BY JIM JONES IN JOHANNESBURG

THE three-week strike by black miners hit the Randfontein Estates mine of Johannesburg Consolidated Investment particularly hard in August and sharply reduced the working profit in the September quarter.

Mr Ken Maxwell, chief executive, said yesterday that 70 per cent of underground production was lost during the strike and that it was not possible to process surface dump material as men were on strike in the mine's processing plant.

Production continued to be disrupted after the strike had ended as men had to be re-hired or new men trained. Some of the effects are still being felt.

About 207,000 tonnes of ore were lost because of the strike and only 1.75m tonnes were milled during the September quarter against 1.92m tonnes in the period to June. The mine's output fell to 2.8m tonnes from 3.0m tonnes per month (9t) from 3.0% as a greater proportion of low-grade surface dump material was milled.

Western Areas, which is also managed by JCIL, largely avoided the strike despite reports at the time that many of the mine's black employees had downed tools.

Production is recovering from the effects of earlier labour disruptions which arose from dis-

al was killed.

Mr Bob Bertram, the mine's consulting engineer, hopes that monthly mill throughput of underground ore will recover to 350,000 tonnes by the end of this year. Nevertheless, capital expenditure is being cut to conserve cash in the wake of the past quarter's profit collapse.

Working losses have been reported each quarter this year though the June quarter's results have now been adjusted to take into account a R6m (\$2.4m) rebate of service fees by JCIL.

The amount is a refund of part of the past year's service charges, though Mr Maxwell could not say yesterday what percentage of the total charge it represents.

• Genbel, the Gencor group's investment holding company, is

negotiating the transfer of its precious metals mineral rights to Marievale, the veteran gold mine managed by Gencor.

If the deal is completed, Genbel will become purely a investment holding company while Marievale can provide tax benefits and an immediate stock exchange quotation if it is converted to a mining holding company.

Most of Genbel's mineral rights are adjacent or close to existing gold mines and several are expected to be incorporated into operating units in the near future. Normally the company does not participate directly in the establishment of new mining operations.

Negotiations are taking place to transfer mineral rights on the Witkleefontein farm to the Kincross gold mine and this is expected to be followed by the transfer of rights on the Twintreafarm mine. Other transfers are expected in the Orange Free State where several new gold mines are on the way.

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INTL. COMPANIES & FINANCE

Renault reorganises Iberian units

BY PAUL BETTS IN PARIS

RENAULT, the French state-owned car group, has launched a strategic reorganisation of its large Spanish and Portuguese operations, in an effort to preserve its strong position in these markets as competition intensifies with the integration of the two countries in the European Community.

The company has already integrated its separate Spanish and Portuguese operations under a new management structure for the whole of the Iberian peninsula, with Mr Francis Stahl taking responsibility last month for all the Iberian operations.

Mr Stahl, former head of Renault's overseas businesses, the Direction des Affaires Internationales, said the company intended to integrate its Spanish and Portuguese operations into Renault's general industrial production system, to enhance competitiveness and productivity.

Up to now, these operations have been run as separate entities serving the needs of their respective markets.

In Spain, through its Fasa subsidiary, Renault currently commands more than 25 per

cent of the market. In Portugal, where Renault has developed a strong industrial presence during the past eight years through an association with the Portuguese Government, the company has seen its market share rise from about 23 per cent in 1980 to 33 per cent this year.

Its nearest rivals in Portugal are Fiat and General Motors, each with nearly 12 per cent of the market.

In spite of its strong industrial

The Spanish and Portuguese operations have proved good money makers for the company

presence in these markets, Renault expects to face increasing competition as trade barriers disappear. The Portuguese market will be open to all European car imports from the beginning of next year, while the Spanish market has already seen an intensification of competition.

Renault will no longer produce a complete car range in Spain for the Spanish market and a separate range for Portugal.

At the same time, the French

group will integrate its engine and components manufacturing operations in the two countries. Mr Stahl said Renault was also planning to manufacture a new engine in Spain.

In future, the group intends to concentrate production in Spain on three models. Renault currently produces 1,500 cars a day in Spain but has capacity to increase production to 1,750 cars a day.

In Portugal, where Renault produces 260 cars and vans a

day, the company manufactures the R5, the R9 and R11, as well as its Trafic light van.

Mr Stahl explained during a visit at the end of last week to Renault's Iberian operations: "We are bound to specialise production in Portugal on two complementary models."

"This means we will make three models in Spain and two in Portugal in an integrated productive system."

At the same time, the French

New orders lift AT&T-Philips

BY DAVID THOMAS IN GENEVA

THE joint telecommunications venture between American Telephone & Telegraph (AT&T) of the US and Philips of the Netherlands is forecasting a big increase in turnover next year, following a spate of new orders announced yesterday.

The joint venture, founded in 1964, has been struggling to regain credibility in Europe since it failed to take control of CGCT, the second biggest French public exchange manufacturer, earlier this year.

However, in Geneva on the eve of a large international telecommunications exhibition, Mr Eickel, AT&T-Philips' president, announced new orders

worth \$350m spread over the next few years.

They consist of \$250m of public exchanges such as that for BT's Freephone service - having failed on a broad front to break into the European market for exchanges for the basic telephone network.

It is believed to be close to announcing its first order for such specialised exchanges from Spain.

Mr Eickel disclosed that the joint venture would have sales of \$1.2bn (\$445m) this year, about 20 per cent up on last year.

This year, sales would increase 30 per cent and the joint venture would move into profit for the first time.

Fermenta SKr83m in red for first eight months

BY SARA WEBB IN STOCKHOLM

NORSK DATA, the Norwegian computer company, said weak sales outside Europe had forced it to lower its 1987 pre-tax profit forecast by Nkr100m and its expected 1987 sales figure by about Nkr150m, Reuters reports from Oslo.

Norsk Data said in August it expected to show a pre-tax profit of between Nkr350m and Nkr400m (\$20.9m) this year.

The new figure was lowered after it became clear sales in North America and India would not match earlier predictions.

It was doubtful that this discrepancy could be compensated by a corresponding increase in European business.

The company said its sales in Europe remained strong, however, and were expected to grow by 25 to 35 per cent in 1987.

Norsk Data showed a Nkr1.2bn pre-tax profit for the first six months of 1987, up 6 per cent from Nkr1.68m a year ago. Its 1986 pre-tax profit before year-end allocations was Nkr475m, against Nkr364m.

AT&T-Philips is concentrating increasingly on specialised exchanges - such as that for BT's Freephone service - having failed on a broad front to break into the European market for exchanges for the basic telephone network.

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Puma posts DM14m loss in first half

By Our Financial Staff

PUMA, the West German sportswear manufacturer, said it posted a 1987 first-half gross loss of about DM14m (\$7.2m), of which the largest portion was the US.

Mr Armin Dassler, managing board chairman, told the annual shareholders' meeting that parent company turnover was expected to fall to DM655m over the whole year, from DM694.4m in 1986.

In the first half of 1986 Puma posted a gross profit of DM41.65m. Mr Dassler said Puma hoped to improve performance this year in the US - its most important export market - where heavy losses were mainly responsible for the 1986 deficit.

Puma expected to post a gross loss in the second half of this year but the shortfall would be lower than in the first six months. The same applied to expected parent company losses, Mr Dassler added.

He said Puma had taken measures to improve future performance, including changing the product range, closing some unprofitable factories in West Germany and France and introducing general cost-cutting.

Rossmöller, Adidias' West German rival, has appointed Mr René Jaeggi as its managing board chairman, succeeding the late Mr Horst Dassler.

Mr Jaeggi, 52, had been responsible for marketing and distribution since July 1985 and had become a member of the managing board in February 1987.

Mr Dassler, whose family founded the company after the Second World War, died in April.

Second four-month period is largely due to the plant protection unit.

However, Fermenta said gross sales were hit by the low dollar and a combination of weak demand and lower prices.

Last Wednesday, Fermenta agreed to sell its loss-making fermentation subsidiaries - apart from the one in Sweden - and joint ventures to Burns, Philip of Australia for SKr600m. The transaction is calculated to bring SKr180m in capital gains.

The group's plant protection business - part of SDS Biotech - experienced strong demand.

Its earnings for the animal health products in SDS were affected by the cost of merging with Techamerica, the US animal health company.

Fermenta was saved from the brink of financial collapse earlier this year and raised SKr360m from institutional investors and shareholders.

The relative improvement in the

Financial Times Tuesday October 20 1987

October 1987
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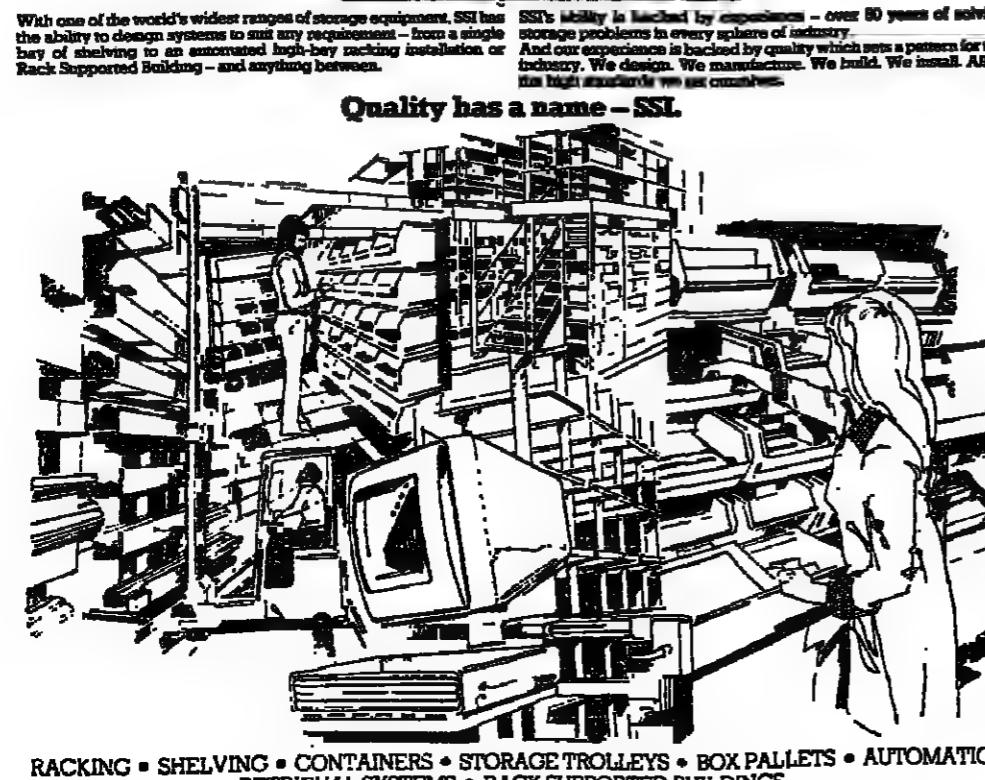
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October 1987



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UK COMPANY NEWS

Elders builds Greene King stake

BY LISA WOOD

ELDERS IXL, the Australian-based brewing, financial services and pastoral group which owns Courage, the large British brewer, has a stake of just under 5 per cent in Greene King, the East Anglian brewer, it was disclosed yesterday.

Greene King claimed that Elders had taken the stake to strengthen its hand in attempting to persuade Greene King to sell Elders' Fosters lager. This brand is sold in the UK in Courage public houses as well as those of Watney Mann & Truman.

However, City analysts would not rule out the possibility that the share build-up was the prelude to a full bid by Elders for

Greene King, brewer of Abbot Ale and distributor of Harp lager.

Greene King, which has 770 public houses in East Anglia, an area of rapid economic growth, is some 25 per cent family-owned with a further 15 per cent in the hands of three "friendly" holders. In the year to May 3 it made pre-tax profits of £12.61m, an improvement of 11 per cent on the figures of the previous year.

Greene King said yesterday that it had recently discovered that Courtaul Properties, a subsidiary of Courage, had built up the holding through a number of nominee accounts.

When the shareholding came to light Greene King was pro-

sitioned by Elders that it should enter into trading agreements to distribute Elders' products, particularly Fosters lager.

Greene King said: "The representatives of Elders said they had acquired the shareholding to strengthen their position in discussions on such a trading relationship."

Greene King, which has a 25 per cent stake in Harp lager, rejected the proposal. Mr Simon Redman, managing director, said that his company had a distribution agreement with Harp since 1984. In addition, Fosters lager was sold in East Anglia by Watney, one of Greene King's major competitors in the region.

Elders IXL said yesterday:

"We have no comment to make yet."

as "very unsatisfactory" in its method of approach. He said he knew nothing of Elders' further intentions towards Greene King.

It is most unlikely," he said, "that it could make a direct bid without being referred to the Monopolies and Mergers Commission".

Two years ago, in its investigation of the then Scottish & Newcastle bid for Matthew Brown, the Blackburn-based brewer, the MMC said there could be a strong case on public interest grounds against any of the five major tied estate brewers acquiring a regional brewer.

Elders IXL said yesterday:

"We have no comment to make yet."

Barry Wehmiller doubled at £3.67m

BARRY WEHMILLER International, the building equipment manufacturer which came to the market in June through a heavily oversubscribed offer for sale, yesterday turned in 1986-7 pre-tax profits more than doubled to £3.67m.

This was slightly better than the £3.5m forecast in the prospectus and compares with £1.7m in the previous year. Turnover for the period ended July 31 rose from £21.63m to £22.4m.

Last year's pre-tax profit was struck after a non-recurring management charge of £473,000

Tax took £405,000 (nil) and statutory earnings per 5p share were 5.7p (8.4p) based on the actual tax charge and 11.6p (5.5p) after a notional 35 per cent charge.

As forecast, the final dividend is 2p - half the shares been listed during the whole financial year, the board would have expected to recommend a total of 4p.

During the year, the rationalisation of earlier acquisitions and the restructuring of the group into three autonomous building divisions was completed and all three improved performance in the period.

Overall, the current year had started well and the board was confident of further growth through pursuing its strategy of organic development and a focused acquisition programme.

The vision systems division was well placed to participate in the anticipated growth in the use of vision systems in the packaging industry.

The closure systems division would continue to expand in markets with wide applications of its products, while the bottling machinery side would also seek to penetrate new markets for its product range.

The board said the pursuit of appropriate acquisitions would continue to be an integral part of growth strategy. The company's status as a listed company was expected to enhance its ability to make further acquisitions.

Since the end of its financial year, the group had completed the acquisition of UD Engineering, a maker of dairy processing machinery. The board said its products and international markets would significantly strengthen the bottling machinery division's existing dairy activity overseas.

Trafalgar House \$20m US expansion

BY DINI MEDLAND

TRAFALEGR HOUSE, the shipping property and building combine, has bought Capital Homes, a builder of single-family homes in the Washington, DC area in the US, for \$20m (£12m) in cash, the company announced yesterday.

Capital Homes will become a subsidiary of Trafalgar House Residential, the US affiliate based in New Jersey set up by Trafalgar House last year.

Capital Homes' net pre-tax profits of \$3m on turnover of \$82m, from the sale of 421 homes in the year-ended February 22. In the current year it expects to sell 500 homes. Initially aimed at the first-time buyer, its property has moved into the \$350,000-\$400,000 range occupied by Trafalgar's existing US

operation.

The company is also active as a land developer both for its own use and for sale to other builders.

"Capital Homes fits perfectly with our expansion plans in the north American housing market," said Mr Eric Parker, chief executive. The group intends initially to concentrate its house-building efforts on the north western seaboard of the US, and to simulate the organised structure used by its successful Ideal Homes business in the US.

Trafalgar House is now looking for a third business on the east coast of the US, probably between New York and Boston, to complete the current phase of acquisition within the

next 12 months, the company said.

No companies had been specifically targeted, said Mr Eric Parker and expansion could be through a start-up business like the New Jersey office. Trafalgar House aims to be building 1,000-1,200 homes a year in the US.

Trafalgar House reported a 25

per cent fall in interim pre-tax profits from £272.7m to £251m on turnover up 10 per cent to £1.03bn (£597.6m) for the six months to March 31, but said that prospects were improving in all its operations.

There was an increased contribution from property, partly as a result of the acquisition of Brusey, a housebuilder.

Inchcape gets £22m for City HQ

INCHCAPE, the international services and marketing group, is to dispose of its City of London headquarters, a grand quasi-colonial building at 40 St Mary Axe. It will receive £22m in cash, substantially above the building's book value of £9.8m.

Pearson share stake raised to 9.8%

Scanro's sharp setback but Wickens confident

BY RICHARD TONKINS

MR MICHAEL DAVID-WEILL, senior partner of Lazard Frères, the investment bank, has bought a further 200,000 shares in Pearson, the information, banking and industrial group. At 10.5p his holding is 9.8 per cent. Mr David-Weill is also a non-executive director of Pearson, which owns the Financial Times.

His move follows the acquisition of a 14.5 per cent stake in the company by Mr Rupert Murdoch's News International group, prompting renewed speculation that Pearson could face a takeover bid.

Mr David-Weill built up a 9.8 per cent holding in Pearson over a number of months when bid speculation first began to swirl around the group. However, the recent issuing of shares by Pearson had slightly diluted his holding in percentage terms.

Kalamazoo sale

Kalamazoo, Birmingham-based business systems company, has sold its financial systems business in Northern Ireland and its Irish printing subsidiary, David Millard, to the Aluset printing group.

In return, Kalamazoo has obtained board representation and a 22 per cent holding in the enlarged Aluset.

Scanso, the USM quoted wind-surf board maker which recently yielded control to Mr David Wickins, chairman of British Car Auctions, yesterday said it expected to make its first acquisition before the year ends.

Management's strategy is to acquire companies with a strong asset base and a potential for substantial income flows. Mr Wickins, who has taken over as chairman, said he was confident that the group would develop into a significant and successful organisation.

The company also reported a sharp downturn in profits for the six months to June - the month before Mr Wickins' intervention - and passed the interim dividends.

Turnover rose from £2.2m to £3.8m but trading profit was

down from £232,000 to £202,000. After interest payable and a £123,000 write-off of goodwill, pre-tax profits were down from £275,000 to £22,000.

Earnings per share fell from 4.31p to 2p and there was an extraordinary debit of £283,000 (£63,000).

Wickins said trading was below expectations and the second half was not expected to show a marked improvement but the board did not expect to make any further extraordinary provisions.

Scanso came to the USM in August 1984. At first it made good progress but slumping in key markets by bankrupt European wind-surf board manufacturers helped send profits reeling from £250,000 to £276,000 in the year to last December.

Turnover rose from £2.2m to £3.8m but trading profit was

down from £232,000 to £202,000. After interest payable and a £123,000 write-off of goodwill, pre-tax profits were down from £275,000 to £22,000.

As promised shareholders will receive a dividend of 0.55p, their first since 1978.

Turnover for the past year was little changed at 7.1m (£7.2m). Earnings per 25p share emerged at 3p (losses 0.8p).

Christy Hunt at £0.26m

CHRISTY HUNT, manufacturer of machines and machine systems and enlarged by a number of acquisitions over the past 12 months, swung from losses of £13,000 to profits of £252,000 pre-tax for the year to end-June 1987.

The figures were in line with the forecast given last month in

Australians sells stake in New Cavendish

By CLAY MARTIN

AUSTRALIA'S Unity Corporation yesterday continued the simplification of its UK activities by selling its majority stake in New Cavendish Estates, the property investment group, for £1.2m to an associate of Noro, the private Dutch investment house.

Colin Services, owned by two Unity subsidiaries, sold its 52.37 per cent stake for 175p compared with the 100p it paid in July 1986.

Noro-Buckfield, based in the Netherlands Antilles, will make a general offer to all shareholders at 175p, which compares with yesterday's market price of 228p, 5p below the price at which the shares were suspended last Thursday. It will place any shares accepted on

the market.

Mr Tom Sinclair, chairman of William Sinclair Holdings, said that the concentration of the group's activities in the garden leisure and horticultural markets had proved most successful.

The USM quoted plant breeder and seed specialist reported pre-tax profits up 64 per cent from £1.15m to £1.88m for the

Aitken Hume rises 45% to £3.9m

ACQUISITIONS help raise Wolseley profits to £75m

BY FIONA THOMPSON

WOLSELEY, the central heating and plumbing distribution group, yesterday reported pre-tax profits up almost 50 per cent to £75.23m for the year to July 31, 1987, compared with £50.23m last year.

And Mr Jonathan Aitken, chairman, said that though the US mutual fund market remained difficult, the progress being made in UK funds management gave him confidence for a good second half, in the absence of exceptionally difficult market conditions.

Gross revenue for the six months to July 31, 1987, up 10.2 per cent to £252.8m (£244.6m), operating profits breakdown showed that UK funds management made £2.81m, against a loss last year of £2.09m, with £2.23m (£2.01m) for National Services and Research in the US.

Earnings per share came out at 8.75p (3.57p) and an interim dividend of 4p per cent was paid this morning.

The US mutual fund industry had a difficult six months. Funds under management at the end of the period were \$3.2m against \$3.25m six months earlier.

The company also announced that it had reached a settlement of actions brought against it by Mr Michael Scary, former finance director, for breach of contract and defamation, issued at the time of the bid for Aitken by Tranwest Group.

COMMENT

Aitken Hume shares yesterday were unmoved by what was a strong first-half performance, dropping 22p to 135p mainly before the announcement of results on both sides of the Atlantic casts a question mark over the company's ability to maintain strong performance.

The US mutual fund market has suffered a decline in sales over the last year, and the company's performance is likely to be affected by this.

Turnover in 1986/87 rose by 10.4 per cent from £224.5m to £257.8m, but the cost of sales rose by 11.7 per cent to £22.77m against 11.87 per cent pre-tax profits up from £2.1m to £2.51m.

As indicated in the placing document, the board is proposing a final dividend of 0.7p net, up from 0.35p.

The group is also keen to expand Plant & Tools, its heavy

plant hire company, and has acquired a large site in Ashford, Kent, which should benefit from Channel Tunnel activity.

The electrical division contributed almost 10 per cent to group trading profits, and launched a number of new products in its Klik connector range for 0.63mm² and ceiling lights.

The engineering and planes division contributed 8 per cent to profits and looks set for further expansion.

In the US, Ferguson Enter-

prises, with 160 outlets and many more franchises, increased its dollar sales by 15 per cent with dollar trading up by 8 per cent. Carolina Builders, which accounted for 20 per cent of the company's turnover, improved in the second half.

Group trading profits were up 10.4 per cent, including sales by 13.6 per cent and trading profit by 8.7 per cent. Harris and Ray, the "heavy-side centres" which sells sand, cement, bricks and blocks from 42 branches in the south east of England, is well placed for future expansion, said Mr Lancaster.

The group is also keen to expand Plant & Tools, its heavy

and minority interests of £552,000 (£335,000), earnings per share were 49.2p, compared with 41.3p.

A final dividend of 10p (8p) makes 14p for the year, against 11.5p. A scrip issue on a one-for-one basis is also proposed.

• COMMENT

Yesterday's figures came as no surprise as the company forecast £75m at the time of the Familian acquisition in September.

The UK side of the business made most of the running, with a very strong market.

In the US, Ferguson Enter-

prises' sales were up 10.4 per cent, including sales by 13.6 per cent and trading profit by 8.7 per cent. Harris and Ray, the "heavy-side centres" which sells sand, cement, bricks and blocks from 42 branches in the south east of England, is well placed for future expansion, said Mr Lancaster.

The interest charge was £6.62m (£3.27m). After deducting tax, both overseas and corporation tax, of £28.12m (£18.85m),

making the total £825p. Stated earnings per 10p share were 6.47p (5.98p), an increase of 41.4 per cent.

Mr Barrett said steel buildings seen further increases in both turnover and profit during the year. The company will carry on its acquisition of Industrial Buildings (Leicester), merged with Potters Constructional Engineers to form Potters Johnson Steel Buildings. The current year had started well for this division with a substantial order book and better than budgeted margins.

Profit from steel services increased substantially during the year and included the first full year's profits from A H Allen Steel Services. There were further increases in volume and margin.

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UK COMPANY NEWS

Matthew Brown hits back at S&N

BY LISA WOOD

Matthew Brown, the Blackburn-based brewer, yesterday published its first defence document against its latest hostile bid from Scottish & Newcastle Breweries.

Scottish & Newcastle, Britain's sixth biggest brewer, earlier this month launched its third attempt in two-and-a-half years to acquire Matthew Brown, the brewer of Slators Lager and Theakston bitter.

S&N, which already holds a 20.7 per cent stake in Matthew Brown, is offering three of its shares for each Matthew Brown share with a cash alternative of

750p per share.

Mr Patrick Townsend, chairman of Matthew Brown, yesterday described the bid as commercially illogical from a brewer he described as the 'weakest national brewer.'

The defence document concentrates on the commercial aspects of the bid and makes no mention of the value of the offer. Neither does it give an estimate for the financial year ended September 30 or a forecast for 1987-8. These, said Matthew Brown, would be sent to shareholders soon.

Matthew Brown - in the docu-

ment - questions for example S&N's claim to be the acknowledged leader in the take-home trade, an area where it had criticised Matthew Brown.

Matthew Brown said: 'In the last year, both Bass (1.1 per cent) and Whitbread (0.3 per cent) have overtaken S&N (1.23 per cent) in terms of their share of the take-home market.'

The Blackburn-based brewer also attacked S&N's track record in developing brands, an area where it had claimed it could assist Matthew Brown, if successful in its bid.

On the Theakston brand, which S&N said it could develop nationally, Matthew Brown said S&N's arguments showed it had either no understanding of Matthew Brown's strategy or else it was trying to convince shareholders that it, S&N, had invented Matthew Brown's long-term strategy.

Mr Alick Rankin, chief executive of S&N, described the document as verbose and argumentative. But he said it did not get at key issues including a profit forecast for this year.

He added: 'Nowhere does this document refute the value of the bid.'

Faber puts Grenfell share stake up for sale

BY DAVID WALLER

Famous Grouse up £1.7m as overall sales expand

*comment

INCREASED SALES of The Famous Grouse, both in home and export markets, enabled the Highland Distilleries Company, distiller of Scotch whisky, to lift its profits from £10.32m to £12.05m pre-tax over the year to end-August 1987.

During the period sales of the group's other brands, Highland Park, Bunnahabhain and Rambhu, increased by 17 per cent.

Mr John Macphail, the chairman, said prospects were more difficult than usual to gauge because many companies worldwide were considering their positions as a result of the various mega bids that had taken place in industry in recent times with a consequent reappraisal of

valuations.

Willis Faber, the insurance group, yesterday hung the for sale sign on its 20.8 per cent stake in Morgan Grenfell, the merchant bank.

It said that it would sell the stake - worth £16.8m prior to yesterday's market crash - if it received a high enough offer.

The willingness to sell is a response to Morgan Grenfell's expansionary strategy under Mr John Craven, the bank's recently appointed chairman.

Willis is believed to be retaining its interest in Morgan after buying another insurance company, St George Wrightson, for £22.4m in June, and is concerned about diluted value of its holding should Morgan start making acquisitions involving the issue of new equity.

Mr John Craven yesterday scoffed at the thought of issuing any new shares in preparation for the acquisition, and informed that he intended to expand the bank's security distribution side. This had led to an approach to TSB with a view to buying Wood Mackenzie, the stockbroking arm of Hill Samuel.

Mr David Palmer, Willis' chairman and chief executive, said the investment in Morgan had been a conspicuous success and that the holding would be protected.

TRNR would be seeking assurances on the make-up of the board and on future investment policies.

Platou wants TRNR to retain a listing and has said it will place with institutional investors any shares it wins control of above 54 per cent.

However, the share offer will remain open until the last day of this month. The cash alternative has been closed.

Mr Peter Kyel, TRNR manager, said yesterday that he was seeking discussions with Platou to see how the interests of the

For the past year turnover pushed ahead from £108m to £112.46m and after cost of sales of £101.12m (£97.95m), depreciation of £2.01m (£20.000), distribution expenses of £1.06m (£1.03m) and administration costs of £2.05m pre-tax over the year to end-August 1987.

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Charterhall oil and gas expansion

BY LUCY KELLAWAY

Charterhall, the investment company run by Mr Russell Goward, the Australian entrepreneur, yesterday announced plans to expand its oil and gas activities with four North American oil acquisitions worth \$5m.

Mr Keith Holder, managing director of the company's oil and gas division, said that it would make a profit this year after a loss in 1986 of £20.000, but that the main benefits of the acquisitions would not be felt until 1988.

The deals, which will double the company's US reserves, were made at an average price of \$3.20 per barrel of oil. They consist of a 29 per cent stake in the Main Pass 41 field and a 10 per cent interest in the Breton Sound field offshore Louisiana, the oil and gas assets of a bankrupt US company, and interests in the Parkman oilfield in Canada.

FT Share Information

The following securities have been added to the Share Information Service:

Alexander (Walter) (Industrial). Andra Property 54% Conv. Cum. Red. Pref. (Property). AusADAX Resources (Mines-Australia). Bevres Inc. (Industrials). Budget Electronics (Property). Delta Gold (Mines-Australia). Esmeralda Resources (Mines-Australia). GT Ventures Inv. (Trusts-Finance-Land). Ingland (George) (Textiles). Johnson Electric (Electricals). Kaoft & Knockers (Stores). Maxxus Pacific (United-Australasia).

Lonrho accounts get all clear

BY RICHARD WATERS

THE STOCK EXCHANGE and the Institute of Chartered Accountants in England and Wales have completed investigations into the annual accounts of Lonrho, prompted by entirely separate complaints arising from different sources. Both have said they will not pursue the complaints further.

The Stock Exchange enquiry followed a letter in June from House of Fraser, the stores group, which alleged that Lonrho had not disclosed enough in its 1986 accounts to give readers

a complete picture of its affairs. The claim was supported by accountants Arthur Young.

After consulting its own independent firm of accountants, the Exchange decided this was not the case.

The Institute's examination of Lonrho's accounts followed a complaint from its own technical department. Such referrals happen "from time to time," said Mr Geoff Mitchell, the technical director.

The Institute's review is believed to have centred on Lon-

rho's compliance with Statement of Standard Accounting Practice 6, on the treatment of unusual profits or losses during the year - though the Institute failed to confirm this.

During 1986, a Lonrho subsidiary is believed to have made a profit of £12.1m on the sale of shares in Reuters, the news agency. This was instrumental in lifting Lonrho's profits by £2.8m to £26.1m in 1986, but was not disclosed in the group's accounts, said one accountant close to the investigation.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls sharply

THE DOLLAR fell sharply in very nervous foreign exchange trading, but recovered part of its losses to finish near the highest levels of the day.

Mr James Baker, US Treasury Secretary, appeared to call into question the Group of Seven agreement on currency stability, and this added to the general mood of depression after the falls in US stock and bond prices.

Dealers feared the US had little option but to allow the dollar to fall after a tightening of West German monetary policy and a widening of the Japanese trade surplus.

There has been general disappointment at the failure of the US to significantly lower its trade deficit, and in the present circumstances it is also doubted the Federal Reserve is willing to increase interest rates.

The US authorities may be reluctant to move on interest rates, for fear of prompting a recession, at a time when US share prices are falling.

The dollar declined to DM 1.7770 from DM 1.8101, to SF 1.1770 from SF 1.1835, to FF 1.5375 from FF 1.5430, and to Yen 141.70 from Yen 142.75.

On Bank of England figures the dollar's index fell 9.81 from 190.12.

STERLING — Trading range against the dollar in 1987 is 1.3885 to 1.4710. September average 1.4054. Exchange rate index rose 0.2 to 72.8, compared with 72.4 six months ago.

Sterling rose 1.70 cents against the dollar to 1.5830-1.5831, but tended to weaken in sympathy with the US unit against other

major currencies. The pound fell to DM 2.8850 from DM 2.9350; to FF 0.9775 from FF 1.0050; and to SF 2.45 from 2.4850, but rose to Yen 238 from Yen 235.

The dollar dominated trading, but dealers remained aware that this week's UK economic figures could have particular significance for sterling.

A fall of 0.4 per cent in September in UK retail sales was not expected and compared with a rise of 1 per cent in August. This calmed fears about overheating in the UK economy, although dealers will wait for further evidence from tomorrow's money supply and bank lending figures, and Friday's trade figures.

D-MARK — Trading range against the dollar in 1987 is 1.3885 to 1.7688. September average 1.5122. Exchange rate index 147.1 against 146.4 six months ago.

The D-Mark rose against the dollar in Frankfurt. The US-currently fell to DM 1.7765 from DM 1.7715, but appeared to stabilise in a technical reaction to the sudden fall.

A further recovery does not appear to be out of the question for the dollar, but only because of the extent of yesterday's fall.

Underlying sentiment points towards a further weakening.

The Bundesbank bought DM 1.7m of the dollar at DM 1.7740, as the dollar fell to DM 1.7740, from DM 1.7625 on Friday.

The dollar's fixing level was the lowest since May 30. The last time the West German central bank bought dollars at the fixing was September 9.

JAPANESE YEN — Trading range against the dollar in 1987 is 1.3885 to 1.7688. September average 1.5122. Exchange rate index 222.7 against 222.6 six months ago.

The yen rose against the dollar in Tokyo, containing pressure on the dollar seen in New York on Friday and the Middle East at the weekend. The comment by US Treasury Secretary Mr James Baker, above, that the currency agreement in the G7 accord is unlikely to continue.

The dollars closed at Yen 141.35 in Tokyo, compared with Yen 142.35 on Friday, after recovering from a low of Yen 140.40.

Changes are for Eco, therefore positive change denotes a weak currency. Adjustments calculated by Financial Times.

EMS EUROPEAN CURRENCY UNIT RATES

For forward premiums and discounts apply to the US dollar.

STERLING INDEX

For forward premiums and discounts apply to the US dollar.

POUND SPOT—FORWARD AGAINST THE POUND

For forward premiums and discounts apply to the US dollar.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Forward rates are for convertible francs. Financial franc 42.85-42.65. Six-month forward dollar 42.40-7.00. 12-month 33.35-32.80pc.

CURRENCY RATES

For forward premiums and discounts apply to the US dollar and to the indicated currency. British rate is for convertible francs. Financial franc 42.85-42.65.

CURRENCY MOVEMENTS

For forward premiums and discounts apply to the US dollar and to the indicated currency. British rate is for convertible francs. Financial franc 42.85-42.65.

FINANCIAL FUTURES

Further storms hit Liffe

LAST WEEK'S storms assumed a secondary importance in the Liffe market yesterday as traders tried to cope with a record fall in UK equities and a similar decline in prices.

Prices were marred down sharply as US equities and bond prices were sold because markets had lost confidence in the G7 accord following comments by Mr James Baker, US Treasury Secretary, criticising the recent rise in West German interest rates. The US Federal authorities were reluctant to match a rise in rates in West Germany and Japan and appeared to be prepared to let the dollar take the strain.

The year-to-date gain against the dollar in 1987 is 1.3885 to 1.7688. September average 1.5122. Exchange rate index 147.1 against 146.4 six months ago.

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LIFFE LONG DOLLAR FUTURES OPTIONS

For forward premiums and discounts apply to the US dollar.

LIFFE 100 INDEX FUTURES OPTIONS

For forward premiums and discounts apply to the UK 100.

LIFFE 500 OPTIONS

For forward premiums and discounts apply to the UK 500.

PHILADELPHIA SE 100 OPTIONS

For forward premiums and discounts apply to the Philadelphia 100.

LIFFE 200 OPTIONS

For forward premiums and discounts apply to the UK 200.

LIFFE 500 OPTIONS

For forward premiums and discounts apply to the UK 500.

LONDON

20-YEAR 12% NATIONAL SALT

For forward premiums and discounts apply to the UK 20-year 12% national salt.

CHICAGO

U.S. TREASURY BONDS (CHG) %

For forward premiums and discounts apply to the US 10-year treasury bond.

U.S. NATIONAL LONG TERM JAPANESE BOND

For forward premiums and discounts apply to the US 20-year Japanese bond.

U.S. TREASURY BILLS (CHG) %

For forward premiums and discounts apply to the US 90-day treasury bill.

THREE-MONTH STERLING

For forward premiums and discounts apply to the UK three-month sterling.

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UNIT TRUST INFORMATION SERVICE

THE JOURNAL OF CLIMATE

FT UNIT TRUST INFORMATION SERVICE

Prices at 3.00pm, October 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	Low	Stock	P/ S	100s High	Low	Close	Chg.	12 Month High	Low	Stock	P/ S	100s High	Low	Close	Chg.
262	194	OADS	1.0	20	100	10	-1	244	11	SEAFAR	1.0	10	20	20	-1
313	75	Outback	4.0	22	21	21	-1	245	24	OUTPRO	2.0	25	25	25	-1
120	10	Outcom	1.41	4.8	5	5	-1	246	21	OUTSOURC	2.2	20	21	21	-1
28	25	Outco	1.0	1.5	1.5	1.5	-1	247	21	OUTSOURC	2.2	21	21	21	-1
171	12	Outfit	2.2	1.5	1.5	1.5	-1	248	11	OUTSTAND	1.2	10	10	10	-1
710	62	Outred	0.5	1.2	1	1	-1	249	11	OUTSTR	1.1	11	11	11	-1
124	117	OUTS	1.0	1.5	1.5	1.5	-1	250	21	OUTTECH	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	251	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	252	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	253	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	254	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	255	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	256	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	257	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	258	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	259	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	260	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	261	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	262	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	263	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	264	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	265	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	266	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	267	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	268	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	269	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	270	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	271	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	272	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	273	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	274	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	275	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	276	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	277	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	278	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	279	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	280	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	281	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	282	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	283	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	284	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	285	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	286	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	287	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	288	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	289	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	290	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	291	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	292	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	293	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	294	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	295	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	296	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	297	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117	OUTV	0.5	1.5	1.5	1.5	-1	298	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
204	75	OUTV	0.5	1.5	1.5	1.5	-1	299	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
23	2	OUTV	0.5	1.5	1.5	1.5	-1	300	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
104	62	OUTV	0.5	1.2	1	1	-1	301	11	OUTWEAR	1.0	1.1	1.1	1.1	-1
252	117														

FINANCIAL TIMES

WORLD STOCK MARKETS

FT correspondents assess the damage and implications of the day the bottom fell out of the markets

Bold bulls cling to faith despite bears' mighty swipe

THE WORLD'S stock markets have not seen a day like yesterday in modern times. By the end of the European afternoon, with Wall Street down more than 500 points after last week's 236 point drop, one might have thought they had gone into a limitless spiral.

The collapse had frayed many nerves and tested technology – and in some cases beyond – its limit.

On the London Stock Ex-

change's Automated Quotation System (Seag) screen, the page for price changes was showing many leading stocks down 50% – it could not indicate greater falls. The window display at Bracken House, headquarters of the FT, suffered a similar problem.

The reaction of markets around the world to Wall Street's 108 point drop on Friday left many people stunned.

"We've got nothing to compare it with," said one young London

analyst. "It's a freak, just like last week's hurricane."

Despite the hysteria suggested by the frantic marking down of prices, however, there appeared to be a remarkable absence of panic among European market analysts – particularly considering the magnitude of yesterday's falls.

There was quite heavy selling in a number of European markets by small investors, no doubt frightened by weekend press coverage of Wall Street. But some foreign investors – who

would stand to gain from a dollar fall if they are dollar-based – were thought to be holding on to their investments.

"We're not worried," said one bold watcher of Continental markets. Though the chain reaction of price drops could go on for a little while, she felt that the markets will then represent "one of the best buying opportunities for a very long time."

"We have not given up on the

that correction could not have been predicted.

There remains a danger of a continued self-fuelling decline, some of yesterday's UK selling represented "stop-loss" orders triggered by computers, a phenomenon seen as increasing short-termism in the US market.

It is, of course, too soon to tell whether or not the stock price falls reach the end of the long worldwide bull market in equities, which has fuelled the trend toward the "globalisation" of stock markets. Many markets were strong and were due for a correction, but the suddenness of

or not – about inflation, there are new fears that a recession will come next year, much sooner than had been previously forecast.

Ever since Mr Paul Volcker

passed the Federal Reserve

chairmanship to Mr Alan Green-

span, there have been underlying

market fears about the Fed's de-

termination to control inflation.

His insistence that the infla-

tion and trade outlook is good has left

a feeling in the markets that credit policy was running out of

control.

A recession in the US would have an impact on economies elsewhere. But though Wall Street and the state of the US economy have an inevitable knock-on effect on other markets, the fundamentals of the economic situation in the UK and elsewhere remained good, with economic growth and corporate profits outlook healthy, analysts say.

"One can only rely on the good sense of investors to recognise that markets are cheap," said one.

AMERICA

Dow plummets in wave of frenzied selling

WALL STREET

A STUNNING collapse of stock prices unprecedented in the history of Wall Street, rocked the US financial community yesterday, writes Roderick Oram in New York.

A selling frenzy swept through the markets from the opening, indiscriminately scything more than 22 per cent of stock prices. The scale of the rout was almost double the 12.8 per cent fall on October 29, 1929, the worst day of the stockmarket crash which preceded the Great Depression.

Credit markets, deeply troubled at the opening with bond prices falling almost two points in early trading, stabilised during the morning after the dollar found some respite from its sell-off against the yen and the Federal Reserve Board intervened heavily in the money markets, supplying reserves. By the end of the day the Treasury's long bond had risen to 74% up to 88% to yield 10.069 per cent.

The Dow Jones Industrial Average closed down 308.32 points at 1,738.42 virtually doubling its previous record fall in points terms in a day. All the broad market indices suffered as badly, even the over-the-counter index which is normally somewhat insulated from the futures arbitrage swings which affect big capitalisation stocks.

The New York Stock Exchange's volume record of 33.5m shares was comprehensively smashed with three hours still left to trade. By the close an astounding 604.6m shares had changed hands.

One of the starker measures of the illiquidity of the market at the opening was the halt in trading of almost two-thirds of the Dow Industrial index stocks. It took the NYSE specialists, who make an orderly market in the stocks, almost two hours to generate sufficient buy orders by gradually lowering the indicated price to match the sell orders. Once a rough balance was met, trading started with the biggest stocks such as IBM instantly dropping nearly 10 per cent in value.

Once again futures and options and computer techniques to play them contributed heavily to the trading volume. "Hungry" selling programmes helped drive down the market," one market analyst said.

The selling abated for a while in mid-morning and the Dow bounced back to a loss of only 100 points. But the upward move failed to convince investors and traders and the selling onslaught resumed. By the close the ratio of issues declining to rising was 1,981 to 40.

Just about the only stocks to buck the trend were golds which were underpinned by a soaring bullion price. Newmont Gold rose 53% to \$304. Newmont Mining, however, fell 50% to \$38. Battle Mountain

gold fell 52% to \$286. Callahan Mining jumped 32% to \$324 and Homestake lost only 5% to close at \$434.

Wall Street firms were deeply out of favour with investors who feared the markets' collapse could financially damage brokerage houses. Salomon Inc. lost 57% to \$23. Merrill Lynch fell 53% to \$20. Shearson Lehman shed 54% to \$20. E.F. Hutton lost 56% to \$23.

Banks and other interest-rate sensitive stocks were also hard hit. Citicorp lost 51% to \$374. Chase Manhattan gave up 53% to \$28. Manufacturers Hanover fell 53% to \$27. CIGNA fell 52% to \$22. Astoria lost 53% to \$30 and American Express fell 56% to \$214.

Reports of higher quarterly profits were deemed irrelevant in the rout and offered no support to battered stocks. Lotus dropped 57% to \$30. J.P. Morgan fell 51% to \$274. and Allied Signal collapsed by 51% to \$28.

Computer hardware and software and semiconductor stocks were savaged. Digital Equipment shed 54% to \$1294. Lotus Development and Microsoft both reported higher earnings but slumped 56% to \$264 and 51% to \$245. Hewlett-Packard fell 51% to \$477.

AT&T fell 56% to \$229 on flat profits. MCI, one of its long-distance telephone competitors, fell 52% to \$314 on a halving of operating profits.

The FT Ordinary index, at 1,629.3, lost more than 10 per cent, far out-

stripping the previous record loss of

7.1 per cent on March 1, 1974. More than 2,000 shares recorded falls on the session, against only 75 with gains.

At mid-session, amid reports of redemptions by unit trust (mutual fund) holders, equities fell into a vicious pandemic," according to the end of the bull market of the 80s, writes Terry Byland in London.

The FT-SE 100 index fell by more

than 300 points to its lowest level but rallied by more than 50 points as Wall Street tried to stage a partial recovery from its opening loss. At the close, the FT-SE 100 index was 245 down to 2,052.3.

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